UCLA

2008 - 2009

annual financial report

UCLA

HIGHLIGHTS

University of California, Los Angeles

CAMPUS AND FINANCIAL HIGHLIGHTS

(dollars in thousands) — For Fiscal Years Ended June 30

	2009	2008
Campus Land Area	419 acres	419 acres
Enrollment - Fall Quarter		
Undergraduates	26,539	25,929
Graduates, and Interns and Residents	13,116	12,971
Employee Count		
Full-Time Equivalent	31,024	28,737
(includes approximately 7,000 casuals and students)		
Net Assets:		
Beginning of Year	$ 4,943,000	$ 4,541,536
End of Year	$ 5,145,222	$ 4,943,000
Assets:		
Total Current Assets	$ 2,202,344	$ 2,209,207
Total Noncurrent Assets	4,715,282	4,419,793
	$ 6,917,626	$ 6,629,000
Liabilities:		
Total Current Liabilities	$ 888,300	$ 831,935
Total Noncurrent Liabilities	884,104	854,065
	$ 1,772,404	$ 1,686,000
Revenue:		
Operating Revenue	$ 3,620,617	$ 3,273,591
Nonoperating Revenue (Core Activities)	759,456	843,494
	$ 4,380,073	$ 4,117,085
Principal Sources of Operating Revenue:		
Student Tuition and Fees	*$ 401,513*	*$ 345,037*
Grants and Contracts	*$ 868,849*	*$ 863,205*
Sales and Services	*$ 2,298,617*	*$ 2,011,949*
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	*$ 521,823*	*$ 642,755*
Expenditures:		
Operating Expense	$ 4,289,982	$ 3,945,258
Nonoperating Expense (Core Activities)	1,588	40,829
	$ 4,291,570	$ 3,986,087
Principal Operating Expenditures:		
Salaries and Wages	*$ 2,243,390*	*$ 2,105,857*
Benefits	*$ 463,603*	*$ 425,976*
Supplies and Materials	*$ 496,647*	*$ 445,248*
Other Operating Expenditures	*$ 726,206*	*$ 668,887*

UNIVERSITY OF CALIFORNIA, LOS ANGELES

letter from Chancellor Gene D. Block

Todd Cheney/UCLA Photography

During the 2008-09 academic year, UCLA began to feel the first effects of California's unprecedented budget crisis. Although the immediate impact of the recession was relatively moderate then, by year's end, it was clear that the fiscal situation was worsening and significant budgetary challenges lie ahead. By the spring of 2009, we clearly understood that there would be a loss of state funding that would affect nearly all aspects of our core academic and administrative programs, including employee compensation, course offerings and student fees.

Nevertheless, the accomplishments of our campus community were many and varied. In several meaningful ways, we advanced our objective for UCLA to be the model 21st-century public research university in an urban setting, and we further solidified our position as one of the world's leading institutions of higher education.

In fall 2008, UCLA enrolled 4,735 new freshmen from a pool of 55,437 applicants — the most in the nation — and 3,220 transfer students from 15,075 applicants. Freshmen came from 55 states and territories, and 37 countries; transfer students came from 14 states and territories, and 39 countries.

Continuing a tradition now in its 30th year, we presented UCLA Medals to people who have made truly extraordinary and distinguished contributions to their professions and to our society. Honorees in 2008-09 were Jonathan Fielding, director of the Los Angeles County Department of Public Health; UCLA alumna Rachel Robinson, founder of the Jackie Robinson Foundation; cinematographer Haskell Wexler; and Dolores Huerta, a labor activist best known as co-founder of the United Farm Workers of America.

In 2008-09, UCLA faculty received more than $966 million in research awards, setting a campus record. Of that amount, about $20 million came from grants through the American Recovery and Reinvestment Act.

Faculty continued to earn an impressive number of prestigious awards and honors. Six were elected to the American Academy of Arts and Sciences, two to the National Academy of Engineering, two to the Institute of Medicine, three to the National Academy of Sciences and three — including Chancellor Emeritus Albert Carnesale — to the American Association for the Advancement of Science. In addition, three won Guggenheim Fellowships, two were named Howard Hughes Medical Institute Early Career Scientists, two were

among Discover magazine's 50 Best Brains in Science and one was selected for Fast Company magazine's list of the 100 Most Creative People in Business.

The Ronald Reagan UCLA Medical Center was recognized by U.S. News & World Report as one of the nation's top three hospitals and — for the 20th consecutive year — the best in the Western United States.

We entered exciting new partnerships, both locally and abroad. UCLA signed a memorandum of understanding with USC and Caltech, as well as local government and business agencies, to launch a bold initiative called CleanTech Los Angeles, which is designed to establish our city as the nation's clean-technology hub. CleanTech L.A. will draw upon research generated by our faculty and students. We expect the effort to create new jobs and produce significant economic benefit for our region. In addition, we signed an agreement to establish a joint research institute in science and engineering with Peking University and furthered our partnerships with universities in Korea, Japan, Singapore and Hong Kong.

Our students again displayed the remarkable talent, creativity and drive for which UCLA scholars are known. Scott Hugo '09 and Christopher Joseph '08 were selected as the 10th and 11th Rhodes Scholars in UCLA's history. In addition to their outstanding academic achievements, our students continued their involvement in volunteering and public service. Four received Charles E. Young Humanitarian Awards for their extraordinary efforts: Frank Rodriguez, for his leadership in a program that provides English language and computer skills training to day laborers; Wendy Tseng, for founding an initiative that provides tutoring to Skid Row residents; Jonathan Lee, for founding a group that encourages fellow students to donate unused meal-card funds to provide food for the homeless; and Laura Petry, for her involvement with a mentoring program at Marina del Rey Middle School.

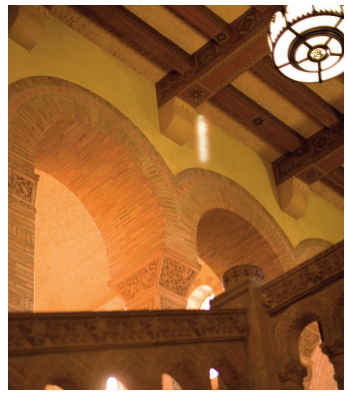
Students excelled in athletics, as well. The women's water polo team won its fifth consecutive NCAA championship, extending UCLA's national record for team titles to 104.

Gifts and pledges to UCLA in 2008-09 totaled $361 million. This is an impressive total in any year, but especially in the current fiscal climate of the state and nation. Notable gifts included $5.8 million from the J. W. and Nellie M. Macdowell Trust for student support in the College of Letters and Science, and $5 million from UCLA alumni Marjorie and Ralph Crump to establish the Crump Institute for Molecular Imaging.

In January, we announced the launch of the Bruin Scholars Initiative, which is dedicated to building financial support for undergraduate scholarships and graduate student fellowships. This support will be critical to ensuring that deserving students from various socioeconomic backgrounds will have access to a world-class education at UCLA. The fund's goal is to raise $500 million by June 2013.

Amid the budgetary challenges we are facing, we are committed to ensuring that UCLA emerges even stronger when the economy recovers. I am confident that we will be even more prepared to respond to the needs of our students and those of the people of California.

Gene D. Block
Chancellor



All photography, including the cover, by Stephanie Diani

MANAGEMENT'S DISCUSSION & ANALYSIS

The objective of Management's Discussion and Analysis (MD&A) is to give readers an overview of the financial position and operating activities of the University of California, Los Angeles (UCLA), for the fiscal year ended June 30, 2009, with selected comparative information for the year ended June 30, 2008. This discussion should be read in conjunction with the financial statements and the accompanying notes.

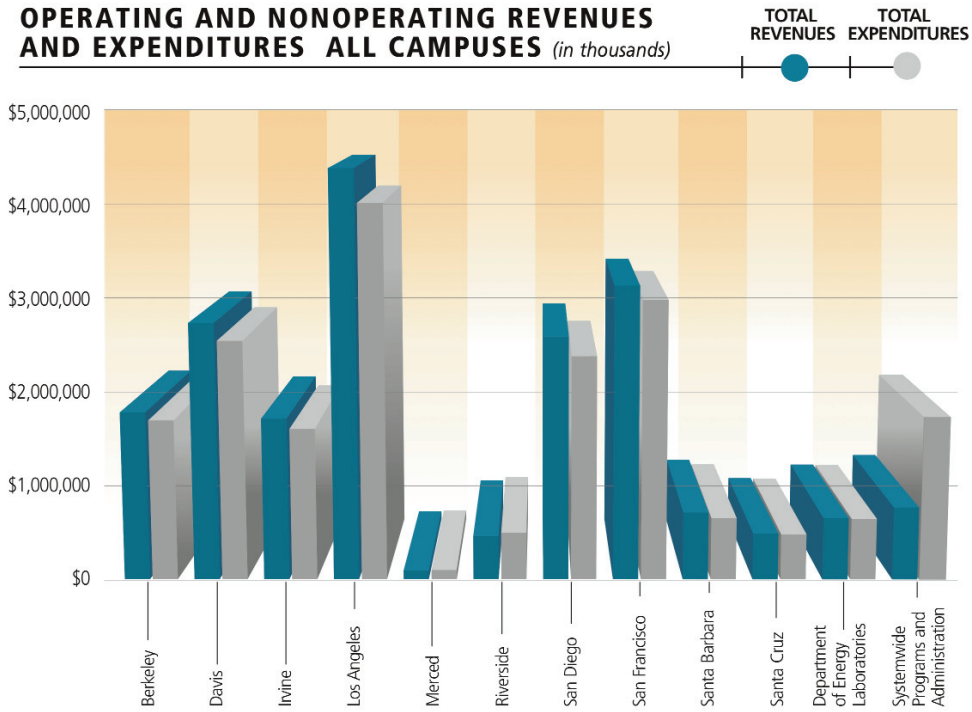
USING THIS ANNUAL REPORT

UCLA is one of 10 campuses within the University of California system. The UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board. The three basic financial statements in this report — the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows — encompass the UCLA campus and its discretely presented component, The UCLA Foundation. However, the MD&A and the Notes to Financial Statements focus only on the campus; information relating to The UCLA Foundation can be found in their separately issued financial statements.

THE UNIVERSITY OF CALIFORNIA

The University of California system (the University) is a public, state-supported institution. The University's financial statements for the University, the various campus foundations and the University of California Retirement System are presented as a discrete component of the state's general-purpose financial statements. The University encompasses 10 campuses, which include five medical schools and medical centers, three law schools and the statewide Division of Agricultural and Natural Resources. The University also operates and manages three national laboratories for the U.S. Department of Energy. The audited, consolidated financial statements of the University of California are available at http://www.universityofcalifornia.edu/finreports/

The following chart reflects the operating and nonoperating revenues and expenditures of the various campuses and laboratories, along with systemwide programs and administration, for the 2008-09 fiscal year:



THE LOS ANGELES CAMPUS OF THE UNIVERSITY OF CALIFORNIA

UCLA was founded in 1919 and is financially the largest campus in the 10-campus University of California system, with an annual budget that exceeds $4.4 billion. The financial statements included in this annual report encompass the following:

Campus – The Los Angeles campus spans 419 acres in Westwood and is devoted to undergraduate and graduate scholarship serving more than 39,655 students in the following schools:

COLLEGE OF LETTERS AND SCIENCE
Humanities
Life Sciences
Physical Sciences
Social Sciences
Undergraduate Education

HEALTH SCIENCES PROGRAMS
David Geffen School of Medicine at UCLA
School of Dentistry
School of Nursing
School of Public Health

PROFESSIONAL SCHOOLS
School of the Arts and Architecture
Graduate School of Education & Information Studies
Henry Samueli School of Engineering and Applied Science
School of Law
UCLA Anderson School of Management
School of Public Affairs
School of Theater, Film and Television

During the 2008-09 academic year, UCLA delivered more than 3,200 different undergraduate and graduate courses each quarter and supported more than 120,000 course enrollments per quarter in 168 different subject areas. Known for academic excellence, many of UCLA's programs are rated among the best in the nation, and some among the best in the world. Few universities offer the range and diversity of academic programs enjoyed by UCLA students.

The campus' mission also includes a strong dedication to research and public service. The UCLA community focuses on environmental issues, economic and social policy concerns, public education reform, healthcare costs and medical advances. More than 6,000 research projects are being conducted on campus at any given time. For 2009, UCLA expenditures for research exceeded $635 million. Statistics from the National Science Foundation's *Survey of Federal Science and Engineering Support to Universities, Colleges, and Nonprofit Institutions*, published in October 2009 for activities in fiscal year 2007, show that UCLA ranked fifth in Federal Science and Engineering obligations, with a total of $515 million.

UCLA Extension offers the public more than 4,100 continuing education courses annually, covering professional and career development, academic enrichment and personal growth.

UCLA employs more than 31,000 faculty, administrators and staff (including casuals and students) and spent $2.7 billion in compensation costs for the fiscal year ended June 30, 2009. UCLA's employees are distinguished for their contributions to education, research and public service. Nobel Prizes have been awarded to five faculty members, in chemistry, physics and medicine (and to five alumni, in economics and chemistry, with one alumnus receiving the Nobel Peace Prize in 1950). UCLA faculty have also received ten National Medals of Science and a Fields Medal, and the Presidential Medal of Freedom has been given to three faculty and three alumni.

UCLA Live (performing arts), the Fowler Museum at UCLA, the UCLA Hammer Museum and the Geffen Playhouse make UCLA a leading arts and cultural center, providing both academic programs and a wide array of public programming.

As of fall 2008, UCLA's on-campus physical plant included four new buildings under construction, along with 196 existing buildings (the existing building count includes 14 parking structures and seven parking kiosks). Off campus, UCLA owns or manages 149 buildings (this count includes 11 parking structures) and has 76 existing building leases for various programmatic activities. UCLA's buildings included 13 libraries, housing more than 9 million volumes; a cogeneration power plant; on-campus student housing for more than 13,500 students; off-campus student and faculty apartments; and more, including the UCLA Conference Center in Lake Arrowhead.

UCLA Health System – Comprised of Ronald Reagan UCLA Medical Center, Santa Monica-UCLA Medical Center and Orthopaedic Hospital, Resnick Neuropsychiatric Hospital at UCLA, Mattel Children's Hospital UCLA, and the UCLA Medical Group, with its wide-reaching system of primary-care and specialty-care offices throughout the region, the UCLA Health System is among the most comprehensive and advanced healthcare systems in the world. The medical center is the primary teaching hospital for the David Geffen School of Medicine at UCLA. It has been named the "Best Hospital in the West" by U.S. News & World Report for 20 consecutive years.

ASUCLA – The Associated Students of UCLA (ASUCLA) operates the UCLA Store and oversees student activities for the Los Angeles campus pursuant to the Statement of Understanding of ASUCLA's Relationships with the University, dated June 28, 1974. ASUCLA's financial data, representing total revenue of $62.2 million for the fiscal year ended June 30, 2009, has also been included to reflect the total financial activity of the UCLA campus.

The UCLA Foundation – The foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. Contributions are held by the foundation until such time as funds are needed and are then transferred from the foundation to the campus; at that point, the campus records the receipt of gift revenue. The financial activities of the separately incorporated foundation are not reflected in the campus' records. However, in compliance with Statement No. 39 of the Governmental Accounting Standards Board, which went into effect on July 1, 2003, the foundation's financial activity can be found discretely recorded on the campus' financial statements under a separate column titled "Foundation."

UCRHBT – The University established the University of California Retiree Health Benefit Trust (UCRHBT) to allow certain University locations and affiliates, including the University of California, Los Angeles, to share the risks, rewards and costs of providing for retiree health benefits and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The Regents serves as Trustee of UCRHBT and has the authority to amend or terminate the Trust.

The UCRHBT provides retiree health benefits to retired employees of the campus. Contributions from the campus to the UCRHBT are effectively made to a cost-sharing single-employer health plan administered by the University. The campus is required to contribute at a rate assessed each year by the UCRHBT. As a result, the campus' required contributions are recognized as an expense in the statement of revenues, expenses and changes in net assets.

UCRP – The University of California Retirement Plan (UCRP) provides retirement benefits to retired employees of the University of California, Los Angeles. Contributions from the campus to the UCRP are effectively made to a cost-sharing single-employer-defined benefit pension plan administered by the University. The campus is required to contribute at a rate assessed each year by the UCRP. As a result, the campus' required contributions, if any, are recognized as an expense in the statement of revenues, expenses and changes in net assets.

An Overview – While UCLA's financial information concerning assets, liabilities, revenues and core activity expenditures is discussed in further detail in the subsequent sections of the MD&A, the following table reflects the composition of UCLA for 2009, listing enrollment figures, full-time equivalent employee figures and operating expenses by organization.

(dollars in thousands)	Undergraduates	Graduates, Interns and Residents	Full-Time Equivalent (Includes Students)	Salaries and Wages	Other Expenditures	Total Expenditures
ORGANIZATIONS	**Fall Enrollment**		**Employees**		**Operating Expenses**	
College of Letters and Science	21,552	2,757	3,739	$ 255,569	$ 129,684	$ 385,253
School of the Arts and Architecture	925	390	502	31,130	17,957	49,087
School of Dentistry	-	499	392	31,660	20,055	51,715
School of Education & Information Studies	-	923	462	31,436	16,004	47,440
School of Engineering and Applied Science	3,003	1,501	848	63,522	44,129	107,651
School of Law	-	1,072	270	26,938	14,669	41,607
School of Management	-	1,766	414	41,823	29,475	71,298
School of Medicine	-	2,241	7,733	625,977	385,955	1,011,932
School of Nursing	202	363	135	9,827	4,800	14,627
School of Public Health	-	671	338	29,378	26,313	55,691
School of Public Affairs	-	486	156	13,284	4,497	17,781
School of Theater, Film and Television	368	388	271	16,588	7,983	24,571
Basic Biomedical Sciences	489	59	204	14,139	8,962	23,101
University Extension	-	-	306	34,887	34,503	69,390
Medical Center	-	-	7,628	563,413	664,556	1,227,969
All Others	-	-	7,626	453,819	364,670	818,489
Subtotal Organizations	26,539	13,116	31,024	2,243,390	1,774,212	4,017,602
Depreciation Expense					239,280	239,280
Other Operational Expenditures					33,100	33,100
Total	26,539	13,116	31,024	$ 2,243,390	$ 2,046,592	$ 4,289,982

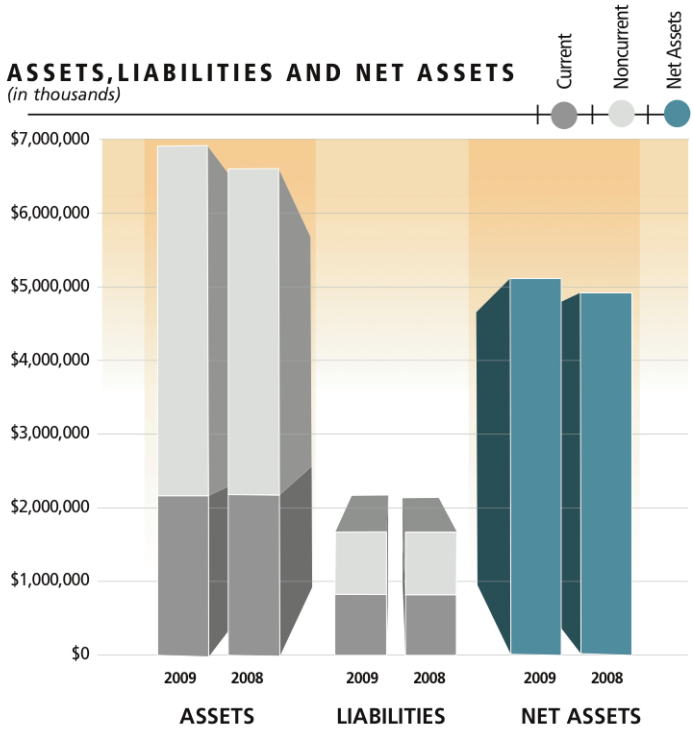
ADOPTION OF NEW ACCOUNTING STANDARDS

The University's financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, became effective for the University's fiscal year beginning July 1, 2008. This Statement requires the University to determine and record liabilities for pollution and hazardous materials contamination remediation obligations. The implementation of GASB Statement No. 49 resulted in accrued operating expenses and liabilities of $2.8 million for the year ended June 30, 2009. There was no significant effect on the financial statements for the year ended June 30, 2008.

THE CAMPUS' FINANCIAL POSITION

The statement of net assets presents UCLA's financial position at the end of the fiscal year. It displays the assets and liabilities of the campus, accounted for on a local level. The difference between assets and liabilities is net assets, representing a measure of the current financial condition of the campus. At June 30, 2009, the campus' assets were $6.9 billion, liabilities were $1.8 billion and net assets were $5.1 billion, an increase of $202 million from 2008.



The major components of the assets, liabilities and net assets, compared with the prior year, are as follows:

(dollars in thousands)	2009	2008	Change
ASSETS			
Cash and investments	$ 1,577,604	$ 1,642,467	$ (64,863)
Accounts receivable, net	533,698	484,802	48,896
Capital assets, net	4,615,930	4,318,939	296,991
Other assets	190,394	182,792	7,602
Total assets	$ 6,917,626	$ 6,629,000	$ 288,626
LIABILITIES			
Current liabilities	$ 888,300	$ 831,935	$ 56,365
Long-term debt	729,239	707,399	21,840
Other noncurrent liabilities	154,865	146,666	8,199
Total liabilities	$ 1,772,404	$ 1,686,000	$ 86,404
NET ASSETS			
Invested in capital assets, net of related debt	$ 3,865,710	$ 3,588,917	$ 276,793
Restricted:			
Nonexpendable	-	-	-
Expendable	216,980	352,141	(135,161)
Unrestricted	1,062,532	1,001,942	60,590
Total net assets	$ 5,145,222	$ 4,943,000	$ 202,222

THE CAMPUS' ASSETS

Long-term investments, the campus' portion of pooled debt and the retirement system, are accounted for on a systemwide basis through the Office of the President and are not reflected in UCLA's stand-alone financial statements. UCLA does participate in a temporary investment pool that is administered by the Office of the President, and the balance in this pool is reflected as part of the campus' assets on UCLA's financial statements, under cash and investments. These funds are primarily invested in U.S. Treasury securities, commercial paper and short-term corporate notes with cost approximating market value. The amount invested in this short-term investment pool at June 30, 2009, totaled $1.5 billion, a decrease of $58.5 million from the previous year, primarily due to the timing of cash needs from one year to the next.

Accounts receivable totaled $533.7 million in 2009, up from $484.8 million in 2008. Accounts receivable include those from the state and federal governments ($97.9 million), those associated with the UCLA Health System that are related to patient care ($275.9 million), those from investment activity and others, including those related to local and private grants and contracts, and student fees ($159.9 million). The $48.9 million increase from the prior year is primarily attributed to UCLA Health System ($41 million) and School of Medicine ($7.5 million) based on price increases in contractual rates for Managed Care and Compensation Plans along with changes in the billing activity.

Net capital assets — original cost less accumulated depreciation — increased from $4.3 billion in 2008 to $4.6 billion in 2009. Capital assets include land, infrastructure, buildings and improvements, equipment, libraries, special collections and construction in progress. The original cost of capital assets increased by $468.4 million to $7.2 billion in 2009, consisting of capital asset additions of $542.2 million, offset by the disposal of $73.8 million of capital assets (mainly equipment) during the year in the ordinary course of business. During 2009, capitalized costs for completed projects included $312.5 million for new buildings and improvements to existing buildings, $149 million for new equipment, $27 million for libraries and collections, and $3.9 million for special collections, including rare books. At the end of 2009, the increase from 2008 in the cost of projects under construction, net of the costs of those projects completed and reclassified during 2009 to buildings and improvements or equipment, totaled $47.8 million, increasing construction in progress to $631 million.

Accumulated depreciation increased from $2.39 billion in 2008 to $2.56 billion in 2009. Depreciation and amortization for the year totaled $239.3 million, whereas depreciation on assets sold or disposed of during the year was $67.9 million. The disposals during 2009 were mainly for equipment that was fully depreciated or had reached the end of its useful life.

Other assets totaling $190.4 million at June 30, 2009 (an increase of $7.6 million from 2008), included: inventories ($38.6 million), investments held by trustees ($5.9 million), pledges, notes and mortgages receivable ($90.7 million), and other assets ($55.3 million). The majority of the increase is attributed to inventories for Continuing Education of The Bar ($4.9 million), which in prior years was booked at the Office of the President and to mortgages receivable ($3.5 million) for faculty mortgages given as part of the recruitment strategy.

THE CAMPUS' LIABILITIES

Current liabilities of the campus, up $86.4 million from the prior year, consist largely of accounts payable to vendors for goods and services, accrued compensation costs due to employees for services performed, deferred revenue and current portions of long-term debt utilized to finance capital assets. The accounts payable for the campus consist of amounts due to vendors for goods and services received for general operation of the campus and UCLA health system, and for capital assets. Overall accounts payable increased to $373.6 million in 2009 from $292.1 million in 2008; the major portion of the variance is attributed to a stop-notice claim for which payment is being withheld pending full resolution of contract provisions. Accrued salaries and benefits showed a slight decline from $190.2 million in 2008 to $189.7 million in 2009, directly attributed to the timing of payroll distribution at June 30. Deferred revenues for 2009 totaled $213.4 million, up from $198 million in 2008; this increase is attributed mainly to up-front payments and fixed-price agreements for private grants and contracts in which expenditures had not yet occurred and to the summer session rate increase.

Long-term debt, used for capital expenditures, is financed by a variety of sources, including University equity contributions, federal and state support, revenue bonds, certificates of participation, bank loans and leases. Commercial paper provides interim financing. The campus' portion of pooled debt is accounted for on a University-wide basis. Other debt was used to finance capital assets, and accounted for locally as noncurrent long-term debt, grew from $707.4 million at the end of 2008 to $729.2 million at the end of 2009. This represents an increase of $21.8 million, mainly attributed to new obligations for the loan assumed with the purchase of the 100 Medical Plaza and to an increase of borrowings related to equipment purchased for the Westwood/Santa Monica Hospital capital project.

Other noncurrent liabilities increased by $8.2 million in 2009, attributed mainly to a $6.7 million increase in accrued vacation leave; and $2.8 million for new pollution remediation obligations recorded for 2009, offset by a $500 thousand reduction to termination benefits liability.

THE CAMPUS' NET ASSETS

Net assets represent the residual interest in the campus' assets after all liabilities are deducted. During the year, the campus' net assets increased by $202.2 million, bringing the year-end total to $5.1 billion. Net assets are reported in four major categories: invested in capital assets, net of related debt; restricted nonexpendable; restricted expendable; and unrestricted.

The portion of net assets invested in capital assets — net of accumulated depreciation and related outstanding debt used to finance the acquisition, construction or improvement of these capital assets — grew from $3.5 billion in 2008 to $3.8 billion in 2009.

The campus reflects a zero balance in restricted nonexpendable net assets, as endowments and charitable remainder trusts are accounted for on a systemwide basis and are excluded from UCLA's financial statements.

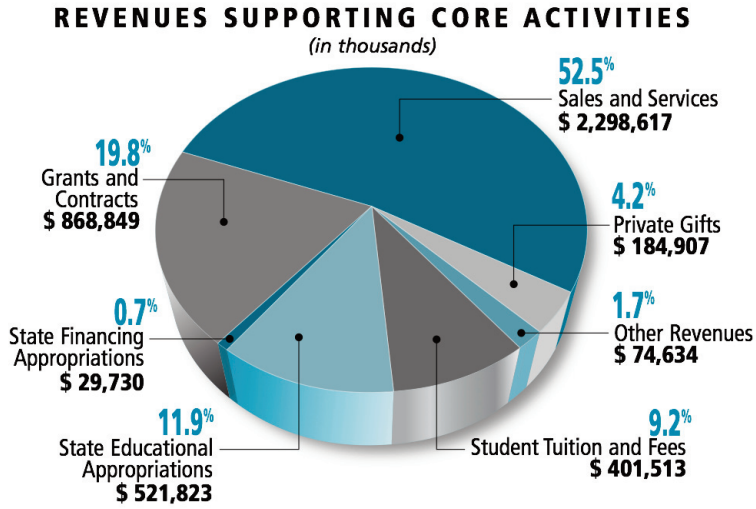
Restricted expendable net assets, which totaled $216.9 million in 2009, down from $352.1 million in 2008, are subjected to externally imposed restrictions governing their use. These net assets may be spent only in accordance with the restrictions placed upon them and may include support received from gifts, appropriations, grants or contracts for specific programs or capital projects; trustee-held investments; or other third-party receipts.

Under generally accepted accounting principles, net assets that are not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net assets are not subject to externally imposed restrictions, substantially all of these net assets are designated internally and are allocated for academic and research initiatives or programs, or for capital purposes. As of June 30, 2009, unrestricted net assets totaled $1.06 billion, an increase of $60.6 million over 2008.

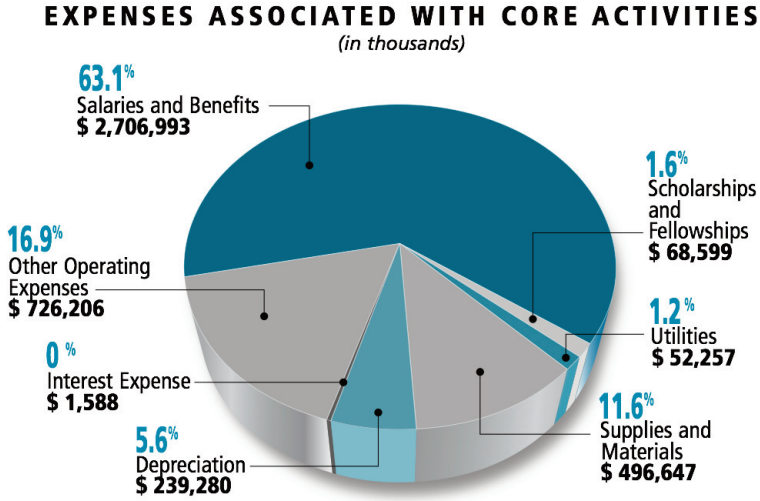
THE CAMPUS' RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net assets is a presentation of the campus' operating results for the year. It indicates whether the financial condition has improved or deteriorated. In accordance with Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus — including state educational appropriations, private gifts and investment income — are mandated to be recorded as nonoperating revenues.

The following chart displays the categories of both operating and nonoperating revenues that support core activities, as of June 30, 2009:



The following chart displays the portion of operating and nonoperating expenses related to core activities of the campus, as of June 30, 2009:



Below is a summarized comparison of the operating results for 2009 and 2008, arranged in a format that matches the revenue supporting the core activities of UCLA with the expenses associated with core activities:

	YEAR ENDED JUNE 30, 2009			YEAR ENDED JUNE 30, 2008			
(dollars in thousands)	Operating	Nonoperating	Total	Operating	Nonoperating	Total	Change
REVENUES							
Student tuition and fees, net	$ 401,513	$ -	$ 401,513	$ 345,037	$ -	$ 345,037	$ 56,476
State educational appropriations	-	521,823	521,823	-	642,755	642,755	(120,932)
State financing appropriations	-	29,730	29,730	-	29,543	29,543	187
Grants and contracts	868,849	-	868,849	863,205	-	863,205	5,644
Sales and services, net	2,298,617	-	2,298,617	2,011,949	-	2,011,949	286,668
Private gifts	-	184,907	184,907	-	170,303	170,303	14,604
Other revenues	51,638	22,996	74,634	53,400	893	54,293	20,341
Revenues supporting core activities	3,620,617	759,456	4,380,073	3,273,591	843,494	4,117,085	262,988
EXPENSES							
Salaries and benefits	2,706,993	-	2,706,993	2,531,833	-	2,531,833	175,160
Scholarships and fellowships	68,599	-	68,599	60,623	-	60,623	7,976
Utilities	52,257	-	52,257	54,934	-	54,934	(2,677)
Supplies and materials	496,647	-	496,647	445,248	-	445,248	51,399
Depreciation	239,280	-	239,280	183,733	-	183,733	55,547
Interest expense	-	1,588	1,588	-	34,397	34,397	(32,809)
Other expenses	726,206	-	726,206	668,887	6,432	675,319	50,887
Expenses associated with core activities	4,289,982	1,588	4,291,570	3,945,258	40,829	3,986,087	305,483
Income (loss) from core activities	(669,365)	757,868	88,503	(671,667)	802,665	130,998	(42,495)
Transfers to (from) core activities	-	23,351	23,351	-	45,519	45,519	(22,168)
Net income (loss) from core activities	$ (669,365)	$ 781,219	111,854	$ (671,667)	$ 848,184	176,517	(64,663)
OTHER NONOPERATING ACTIVITIES							
Net depreciation in fair value of investments			-			-	-
Gain (loss) on disposal of capital assets, net of proceeds			(5,816)			5,826	(11,642)
Income (loss) before other changes in net assets			106,038			182,343	(76,305)
OTHER CHANGES IN NET ASSETS							
State capital appropriations			54,535			40,003	14,532
Capital gifts and grants			55,933			99,855	(43,922)
Transfers to (from) capital accounts			(14,284)			79,263	(93,547)
Increase in net assets			202,222			401,464	(199,242)
NET ASSETS							
Beginning of year			4,943,000			4,541,536	401,464
End of year			$5,145,222			$4,943,000	$ 202,222

REVENUES ASSOCIATED WITH CORE ACTIVITIES

Revenues to support UCLA's core activities, including those classified as nonoperating revenues, grew from $4.1 billion in 2008 to $4.4 billion in 2009, an increase of $263 million. The campus has very diversified sources of revenue. State of California educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of UCLA. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country. Gifts to the campus allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Sales and service revenue includes the UCLA health system, educational activities and auxiliary enterprises such as student housing, food services operations and parking.

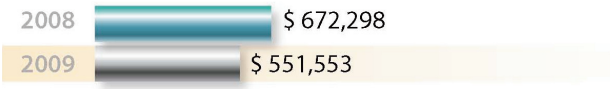
Categories of revenues, as well as activity trends, are described below:

Revenues (dollars in thousands)	2009	Percent of Total	2008	Percent of Total	Change	Change Over Prior Year
Student tuition and fees, net	$ 401,513	9.17%	$ 345,037	8.38%	$ 56,476	16.4%
State appropriations	551,553	12.59%	672,298	16.33%	(120,745)	-18.0%
Grants and contracts	868,849	19.84%	863,205	20.97%	5,644	0.7%
Sales and services, net	2,298,617	52.48%	2,011,949	48.87%	286,668	14.2%
Private gifts	184,907	4.22%	170,303	4.14%	14,604	8.6%
Other revenues, net	74,634	1.70%	54,293	1.31%	20,341	37.5%
Total	$4,380,073	100.00%	$4,117,085	100.00%	$262,988	6.4%

Student Tuition and Fees, net (dollars in thousands)	2009	2008	Change	Change Over Prior Year
Student tuition and fees	$ 434,806	$ 390,284	$ 44,522	11.4%
Summer Sessions	30,660	27,778	2,882	10.4%
University Extension	67,200	44,676	22,524	50.4%
Scholarship allowance	(131,153)	(117,701)	(13,452)	11.4%
Total	$ 401,513	$ 345,037	$ 56,476	16.4%

Student Tuition and Fees revenue, net of scholarship allowances, grew by $56.5 million, from $345 million in 2008 to $401.5 million in 2009, a 16.4% increase. The overall student population increased 1.9% on a year-over-year basis, with 39,655 enrolled students in the Fall of 2008-09, compared to 38,900 enrolled students in the Fall of 2007-08. The contributing factors to the 2008-09 revenue increase for the academic year include: a 7% increase in Educational fees ($468 per undergraduate and $412 per graduate student); a 9.9% increase in registration fees ($78 per student) and a 5% increase in graduate non-resident fees ($953 per non-resident student). The scholarship allowance — financial aid fee waivers — increase of 11.4% relates directly to the fee increases. Overall Summer Sessions had a 10% increase in revenue due to various fee increases. The increase for University Extension is due in whole to the transfer to UCLA of responsibility for the Continuing Education of The Bar programs ($24 million), which in prior years reported to and was booked at the Office of the President.

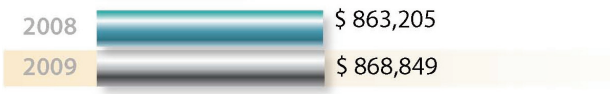
State Appropriations (dollars in thousands)	2009	2008	Change	Change Over Prior Year
State educational appropriations	$ 521,823	$ 642,755	$ (120,932)	-18.8%
State financing appropriations	29,730	29,543	187	0.6%
Total	$ 551,553	$ 672,298	$ (120,745)	-18.0%



State Appropriations consists of two components: educational and financing. Educational appropriations from the State of California declined by 18.8%, a decreased of $120.9 million, from $642.8 million in 2008 to $521.8 million in 2009. This was the direct result of the state budget cuts to the University for 2008-09.

State financing appropriations — directly related to the required rental payments under lease-purchase agreements with the State of California — totaled $29.7 million for 2009, a minor increase from $29.5 million for 2008.

Grants and Contracts (dollars in thousands)	2009	2008	Change	Change Over Prior Year
Federal	$ 604,236	$ 601,428	$ 2,808	0.5%
State	56,011	60,554	(4,543)	-7.5%
Private	168,475	162,179	6,296	3.9%
Local	40,127	39,044	1,083	2.8%
Total	$ 868,849	$ 863,205	$ 5,644	0.7%

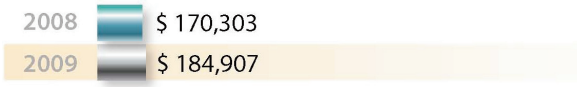


Grants and Contracts revenue — which comes from federal, state, private and local sources — increased by $5.6 million during 2009 to $868.8 million. Federal grant and contract revenue — including facilities and administration cost recovery of $132.5 million, direct expenditures of $461.3 million and advanced payments of $10.4 million, totaled $604.2 million for 2009, a $2.8 million increase from 2008. This revenue represents support from a variety of agencies: the Department of Health and Human Services, $389 million; the National Science Foundation, $63 million; the Department of Education, $52 million; the Department of Veterans Affairs, $16 million; the Department of Energy, $19 million; the National Aeronautics and Space Administration, $14 million; and other federal agencies, $51 million. Other changes in contracts and grants are as follows: State contracts decreased from $60.5 million in 2008 to $56 million in 2009; private contract and grant funds increased by $6.3 million to $168 million; and local contracts and grants increased by $1 million to $40 million.

Sales and Services (dollars in thousands)	2009	2008	Change	Change Over Prior Year
UCLA Health System	$ 1,395,441	$ 1,163,429	$ 232,012	19.9%
Educational activities	593,295	538,104	55,191	10.3%
Auxiliary enterprises, net	309,881	310,416	(535)	-0.2%
Total	$ 2,298,617	$ 2,011,949	$ 286,668	14.2%

Sales and Services revenue represents revenue from UCLA health systems, educational activities and auxiliary enterprises, net of scholarship allowance. This revenue increased to $2.3 billion in 2009 from $2 billion in 2008, a total increase of $286.7 million. The UCLA Health System's revenue growth of $232 million over the prior year to just under $1.4 billion was primarily due to a combination of rate increases and an increase in settled billings. Sales from educational activities grew by $55 million to a total of $593 million. The increase is primarily attributed to a rise in compensation plan activities due to rate and volume increases in patient care within the David Geffen School of Medicine at UCLA ($43 million) and the Resnick Neuropsychiatric Hospital at UCLA ($10 million). Sales from auxiliary enterprises — including on-campus student housing, off-campus housing, intercollegiate athletics, ASUCLA and parking services — showed an overall slight decrease of .2% for 2009, coming in just under $310 million.

Private Gifts (dollars in thousands)	2009	2008	Change	Change Over Prior Year
Gifts	$ 55,862	$ 55,801	$ 61	0.1%
Transfers from The UCLA Foundation	129,045	114,502	14,543	12.7%
Total	$ 184,907	$ 170,303	$ 14,604	8.6%



Private Gift revenue can come directly from the donor or can be held by The UCLA Foundation until needed. These funds generally are restricted to uses designated by the donor. In 2009, revenues totaled $185 million, representing a $14.6 million, or 8.6%, increase from 2008. Approximately 70% of the 2009 private gifts revenue was attributed to transfers by campus departments from The UCLA Foundation for various campus needs.

Other Revenues, net (dollars in thousands)	2009	2008	Change	Change Over Prior Year
Service Enterprises	$ 2,829	$ 2,705	$ 124	4.6%
Other self-supporting units	48,809	50,695	(1,886)	-3.7%
Total other operating revenues	51,638	53,400	(1,762)	-3.3%
Other nonoperating revenues	22,996	893	22,103	2475.1%
Total	$ 74,634	$ 54,293	$ 20,341	37.5%

Other Revenues, net of scholarship and other allowances, along with nonoperating revenues, totaled $74.6 million for 2009. The majority, $51.6 million, attributed to operating revenue, comes from a variety of self-supporting units, such as the Arthur Ashe Student Health and Wellness Center, UCLA Live, the Department of Cultural and Recreational Affairs and parking fines and forfeitures. The nonoperating revenues increase of $22 million to $23 million for 2009 is attributed to the interest received from the Total Return Investment Pool (TRIP) program developed as an alternative investment pool to the Short Term Investment Pool (STIP).

EXPENSES ASSOCIATED WITH CORE ACTIVITIES

UCLA's expenses associated with core activities for 2009, including those classified as nonoperating expenses, totaled $4.3 billion, up $305 million from just under $4 billion in 2008. Almost two-thirds, 63%, of UCLA's core expenses are related to salaries and benefits of academic and administrative staff working on behalf of the University. Other expenses are related to goods and services used for operation of the core activities of the campus, depreciation of capital assets, and scholarship and fellowship payments to students.

Categories of expenses, as well as activity trends, are described below:

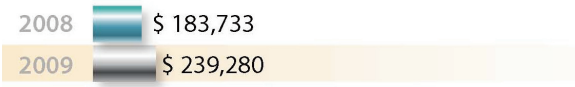
Expenses (dollars in thousands)	**2009**	**Percent of Total**	**2008**	**Percent of Total**	**Change**	**Change Over Prior Year**
Salaries and benefits	$2,706,993	63.08%	$2,531,833	63.52%	$175,160	6.9%
Scholarships and fellowships	68,599	1.60%	60,623	1.52%	7,976	13.2%
Utilities	52,257	1.22%	54,934	1.38%	(2,677)	-4.9%
Supplies and materials	496,647	11.57%	445,248	11.17%	51,399	11.5%
Depreciation	239,280	5.58%	183,733	4.61%	55,547	30.2%
Interest expense	1,588	0.04%	34,397	0.86%	(32,809)	-95.4%
Other expenses, net	726,206	16.92%	675,319	16.94%	50,887	7.5%
Total	$4,291,570	100.00%	$3,986,087	100.00%	$305,483	7.7%

Salaries and Benefits reflected a 6.9% increase over the prior year, from $2.5 billion in 2008 to $2.7 billion ($2.2 billion in salaries and wages and $464 million in benefits) in 2009 for over 40,000 employees filling approximately 31,000 full-time equivalent positions. The variance is attributed to year-over-year increases in academic wages of $40.4 million and staff wages of $96.6 million. The staff increases are attributed to negotiated salary increases given to represented employees.

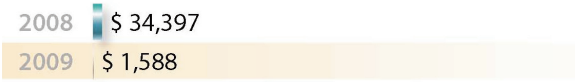
Scholarships and Fellowships — payments of financial aid made directly to students (this excludes fee waivers and is reported as an operating expense) — totaled $68.6 million in 2009, a 13.2% increase over 2008. Scholarship allowances (financial aid fee waivers by the campus and third-party payments to the University on behalf of students) increased in 2009 by 9.9% to $164.6 million. However, scholarship allowances are reported as an offset to revenue, not as an operating expense. On a combined basis, financial aid to students in all forms grew from $210.3 million in 2008 to $233.2 million in 2009, an increase of $22.6 million, or 10.9%.

Utilities costs — consisting of natural gas, electricity, water and sewer, and utilities services — decreased to $52.3 million, a decline of 4.9% in 2009 after an 11% increase in 2008. For 2009, over 85% of utility expenditures can be attributed to natural gas ($24.7 million) and electricity ($20.3 million).

Supplies and Materials, net of elimination of capitalization, increased by $51.4 million over the prior year to $496.6 million. The 11.5% increase in 2009 is attributed to a variety of sources, including a $16.2 million increase in the purchase of medical supplies and a $15 million elimination of capitalized equipment (reclassified based on loan financing) that occurred in 2008 and did not recur in 2009, in the David Geffen School of Medicine at UCLA. The remaining increase is attributed to purchases of general supplies and materials used during the normal course of doing business to meet campus needs.



Depreciation and Amortization expenses increased 30% or $55.4 million from 2008 to $239 million in 2009. The majority ($50.1 million) can be directly attributed to depreciation expense for new building and structures, including the Ronald Reagan UCLA Medical Center, which was capitalized in June 2008. The remaining increase is the net effect of the depreciation related to acquisitions, and the disposal of equipment, library materials and software over $10 million for the campus and the hospitals.



Interest Expense on scheduled payments for capital leases and revenue bonds, reported as a nonoperating expense, decreased by $32.8 million in 2009 to $1.6 million after increasing by $6.4 million in 2008. This reduction is attributed to interest capitalized for 2009 as part of construction costs; $4.1 million for unrestricted funds and $28.7 million for the Santa Monica Replacement Hospital portion of the Medical Center revenue bond.

Other Expenses Associated with Core Activities rose by $50.9 million to $726 million in 2009, an increase of 7.5% from 2008. The variance is attributed to increased charges in the following categories: consulting and professional service ($20 million), rental of space ($9 million), rental of equipment ($4 million) and repairs, alterations and maintenance ($17 million).

OTHER NONOPERATING ACTIVITIES

UCLA's nonoperating activities that are generally non-cash transactions, and therefore not available to be used to support operating expenses, include the net appreciation or depreciation in the fair value of investments and the gain or loss on the disposal of capital assets.

Since the majority of investment activity is recorded at a systemwide level, the appreciation and depreciation of the fair market value investments is not significant from year to year.

The $5.8 million loss on disposal of capital assets for 2009 is the net result of capital assets being disposed of prior to being fully depreciated — software disposal loss $1.1 million (original cost $4.7 million, less accumulated depreciation $3.6 million); equipment disposal loss $6.3 million (original cost $63.3 million, less accumulated depreciation $57 million); and library material and collections gain $1.6 million (original cost $5.6 million, less accumulated depreciation $7.2 million). Useful lives of equipment are assigned at the time of acquisition based on an established useful life table; equipment is fully depreciated when the accumulated depreciation equals the acquisition value. Equipment is written off at the time of disposal.

OTHER CHANGES IN NET ASSETS

Similar to the other nonoperating activities discussed above, other changes in net assets are also not available to support UCLA's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Transfers consist of two groups: those from core activities that support campus operations and transfers specific to capital assets.

UCLA's existing facilities continue to need renewal, modernization and seismic correction, for which funding comes from a variety of sources each year. For 2009, capital appropriations from the state increased by $14.5 million, from $40 million in 2008 to $54.5 million, due mainly to the receipt of additional funding for the new Life Science Building. However, capital appropriations from gifts and grants decreased by $43.9 million, from $99.9 million in 2008 to $55.9 million in 2009. The decrease relates mainly to funds used for one time projects completed in 2008, such as the $38.4 million gift from the Packard Institute for land and buildings for the storage of film archives and the consequent reduction of various funding relating to the prior year completion of the Westwood Replacement Hospital.

Transfers from core activities less transfers to capital accounts totaled $9.1 million for 2009, a decrease of $115.7 million from 2008, primarily in capital accounts. Core activities' (consisting mainly of transfers for intercampus funding, interfund transfers and indirect cost recovery funds) totaled $23.4 million for 2009. Capital accounts (consisting mainly of transfers relating to unexpended plant, retirement of indebtedness, investment in plant, and renewal and replacement) totaled $14.3 million for 2009. The majority of the current year activity is associated with indirect cost recovery, intercampus transfers, unexpended plant funds and retirement of indebtedness.

The indirect cost recovery for facilities and the administrative costs of contract and grant activity totaled $164.3 million in 2009, an increase of $3.3 million over the prior year. A majority of these funds ($159 million) are transferred to the Office of the President as part of the closing processes and then reallocated at a designated rate to the campus in the new year. The University has an agreement with the state regarding the disbursal of federal reimbursement. Approximately 20% of the reimbursement accrues directly to the University for costs related to federal contract and grant activity, and this is the source of the University's off-the-top overhead funds. The remaining 80% of the federal reimbursement is used in two ways: 55% is disbursed to general funds ($31 million goes to state general funds and the balance comes directly back to the campus' general funds); and the remaining 45% is the source of the University Opportunity Fund. By prior agreements, indirect cost recoveries associated with Clinical Trials ($3.1 million for 2009), University Extension ($52,000 for 2009) and the California Institute for Regenerative Medicine ($2.2 million for 2009) are either retained or returned to the campus at 100%.

Intercampus transfers totaled $306.8 million for 2009, an increase of $30.2 million from 2008. This includes the allotment of indirect cost funds from the prior year's recovery, transfers of funding between campuses for related projects and short-term investment income.

Unexpended plant fund transfers totaled $99.7 million for 2009, a decrease of $45.9 million from 2008. The majority of funds transferred for 2009 were applicable to transfers of borrowed funds for the funding of plant projects including the acquisition of the 100 Medical Plaza building.

Retirement of indebtedness totaled $112.3 million for 2009; this includes principal ($44.4 million) and interest payments ($69.7 million) transferred to the Office of the President for debt service related to financing and amortization schedules, less funds transferred from the Office of the President ($.6 million), mainly from State Public Works Board (SPWB) related funds for various SPWB capital lease payments, overall an increase of $45.9 million from 2008.

THE CAMPUS' CASH FLOWS

The statement of cash flows presents the significant sources and uses of cash. UCLA's cash, primarily held in demand deposit accounts, is minimized by sweeping available cash balances into investment accounts managed by the Office of the President on a daily basis.

A summary comparison of cash flows for 2009 and 2008 is as follows:

Cash Flow (dollars in thousands)	**2009**	**2008**	**Change**
Cash received from operations	$ 3,548,597	$ 3,284,659	$ 263,938
Cash payments for operations	(3,948,166)	(3,669,183)	(278,983)
Net cash used by operating activities	(399,569)	(384,524)	(15,045)
Net cash provided by noncapital financing activities	692,130	822,657	(130,527)
Net cash used by capital and related financing activities	(392,979)	(326,399)	(66,580)
Net cash provided by investing activities	21,968	-	21,968
Cumulative effect of change in accounting principles	-	-	-
Intercampus and transfer activities	13,580	124,782	(111,202)
Net (decrease) increase in cash	(64,870)	236,516	(301,386)
Cash, beginning of year	1,642,329	1,405,813	236,516
Cash, end of year	$ 1,577,459	$ 1,642,329	$ (64,870)

UCLA's cash in demand deposit accounts decreased by $64.9 million, from $1.64 billion in 2008 to $1.58 billion in 2009. More than $399 million was used for operating activities, offset by $692 million in cash provided by noncapital financing activities. Noncapital financing activities, as defined by the GASB, include state educational appropriations and gifts received for other than capital purposes that are used to support operational activities.

Cash of $393 million was used for capital and related financing activities — primarily for purchases of capital assets ($490 million) and principal and interest payments ($38 million), which was partially offset by sources that include: state financing and state capital appropriations ($62.4 million), proceeds from debt issuance ($23.8 million) and grants and gifts for capital purposes ($49 million).

LOOKING FORWARD

The campus', and the University's, quality is a hallmark for the State of California and the nation. The excellence of UCLA's programs attracts the best students; leverages hundreds of millions of dollars in state, federal and private funding; and promotes the discovery of new knowledge that fuels economic growth.

The University's major financial strength is its diverse sources of revenue — from the State of California, student fees, federal grants and contracts, UCLA health systems, private gifts and self-supporting enterprises.

The variety of fund sources has become increasingly important over the past several years given the effects of the state's financial crisis that required reductions in both instructional and non-instructional programs. The state is continuing its work to resolve its serious financial situation in which expenditures have continued to exceed revenues, and the University will continue making the case for strong long-term state investment in the education and research activities that are key to economic recovery and critical to California.

Mandatory costs that the state budget fails to cover have the University facing future budget shortfalls well into 2010-11. These costs are a result of a variety of factors — student enrollments that the state has left unfunded, health benefit increases and union pay raises required by collective bargaining agreements.

Various measures have been taken to balance the University's budget, including a one-year emergency furlough/salary-reductions plan for faculty and staff that took effect September 1, 2009. In addition, other cost-saving measures include the consolidation and elimination of programs, hiring reductions, layoffs and the significant curtailment of travel and other purchases.

Despite these actions, the severity of the state budget cuts and the rapidity with which the campuses have been forced to absorb them threaten the basic quality of the education being provided to our students.

In an effort to maintain quality and stabilize the fiscal health of the university, with Board of Regents approval, a systemwide budget plan will seek additional state funding and incorporate two student fee increases. More than two-thirds of the additional money to be sought in Sacramento represents a restoration of previous state budget cuts enacted in the past two fiscal years. In general the two stage student fee increase's include: a mid-year fee increase of 15% ($585) for 2009-10 and fee increases of 15% ($1,334) for the 2010-11 academic year, as well as additional increases in professional degree fees for 2010-11 ranging from $280 to $5,696. To ensure that qualified California undergraduates with financial need and family incomes of $70,000 or below will have all systemwide fees covered, an expansion of the Blue and Gold Opportunity Plan was also included.

UCLA is known to be highly competitive in terms of attracting federal grant and contract revenue. UCLA continues working with government and other stakeholders in on-going cutting-edge research programs across and between a broad spectrum of disciplines, fostering research and technology development that contributes to regional, national and international economic growth and educational and social advancement, as well as attracting and retaining top faculty, researchers and graduate students. In addition, the University is in an excellent position to attract substantial additional research funding in 2010 from federal economic stimulus funds made available by the American Recovery and Reinvestment Act.

UCLA and The UCLA Foundation's remarkable achievement in recent years in obtaining private support is a testament to UCLA's distinction as a leader in philanthropy among the nation's colleges and universities, and the high regard in which the campus and the University are held. The level of private support underscores the continued confidence among donors in the quality of UCLA's programs and the importance of its mission.

The UCLA health system has demonstrated very positive financial results, although it continues to face financial challenges in a price-sensitive managed-care environment, along with the added costs and responsibilities related to functioning as an academic institution. The demand for healthcare services and the cost of providing them are increasing significantly, while revenues to support these services are diminishing. In addition to cost increases faced by hospitals across the state, such as rising salary and benefit costs, UCLA's health system also faces additional costs associated with new technologies, biomedical research, the education and training of healthcare professionals, and the care for a disproportionate share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance plans do not recognize the added cost of teaching in their payments to academic medical centers. Over the last few years, Medicare margins have declined as a result of payment reductions. Recent changes to the Medi-Cal program will likely limit or reduce the rates of payment growth to the medical centers in future years.

The continuing financial success of the UCLA health system is predicated on a multifaceted strategy, which includes competing in commercial markets and offering high-quality regional services. Positive results in commercial contracts have helped address the lack of support for medical education and care for the poor. Further, UCLA health system organizations remain competitive in their respective markets by reducing costs through improved efficiencies, making strategic investments and expanding their presence in the market through stronger links with other providers and payers. Payment strategies must recognize the need to maintain an operating margin sufficient to cover debt, provide working capital, purchase state-of-the-art equipment and invest in infrastructure and program expansion.

Multiphase construction continues with the Santa Monica/Orthopaedic Replacement Hospital. The new state-of-the-art inpatient facility, which is an alliance between Santa Monica-UCLA Medical Center and Orthopaedic Hospital, is being constructed to include 120 acute care beds, with final site work expected to be completed in the 2010 calendar year.

Capital improvements for student on-campus housing continue to move forward with the two-phase plan to provide a total of 2,500 additional beds in the northwest campus for undergraduates over the next decade. Construction of this first-phase project is expected to be completed by 2012-13.

The financing plan and environmental review for the renovation of Pauley Pavilion to update and enlarge the multi-use structure was unanimously approved by the UC regents, once reassured that the money for the arena could not legally be used to solve the campus' budget problems in other areas. As part of the $185 million package, mainly consisting of the Campaign of Champions funds — the $100 million drive to help expand and renovate venerable, 44-year-old Pauley Pavilion — the regents also approved $60 million in external financing, with the debt to be paid by the Department of Intercollegiate Athletics. No campus revenues will support the debt service. The remainder of the funding will come from $15 million in Student Programs, Activities and Resources Center fees and $10 million in Student Seismic fees. Construction is planned from February 2010 through October 2012.

UCLA continues to assess its long-term capital requirements, as an array of many categories of facilities is needed to meet its education, research and public service goals. Since the state's financial circumstances have resulted in suspension of a large portion of state general obligation and lease revenue bond funding for capital projects, the University is working with the state to implement alternate financing strategies for some of these projects. Support for the campus' capital program will continue to be provided by a combination of sources, including the State of California, external financing, gifts and other sources. There also are plans for additional capital projects that are not considered to be state-supportable. This is a continuing process that is amended as required to include projects when gifts or other supplemental resources are obtained or financing plans are developed.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by UCLA, including written statements (as outlined above) or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts that address activities, events or developments that UCLA expects or anticipates will or may occur in the future, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. UCLA does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

FINANCIAL STATEMENTS

TRANSMITTAL LETTER

The accompanying Financial Statements reflect the financial position and the results of operations of the University of California, Los Angeles (UCLA), for the fiscal year ended June 30, 2009.

The UCLA Financial Statements are not individually audited, but rather are audited as part of the Consolidated Annual Financial Report of the University of California by the firm of PricewaterhouseCoopers, whose report is transmitted to The Regents.

The accompanying Financial Statements and Management's Discussion and Analysis detail only local campus activity. This separate UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB).

In compliance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* the financial activity of the legally separate, tax-exempt UCLA Foundation can be found discretely recorded on the campus' financial statements under a separate column titled "Foundation."

Respectfully submitted,

Susan K. Abeles

Susan K. Abeles
Associate Vice Chancellor/Controller
Corporate Financial Services

STATEMENT OF NET ASSETS

For Fiscal Year Ended June 30, 2009, with comparative totals for 2008

(dollars in thousands)	CAMPUS* 2009	CAMPUS* 2008	FOUNDATION 2009	FOUNDATION 2008
ASSETS				
Current assets				
Cash	$ 29,104	$ 35,442	$ 1,779	$ 720
Short-term investments	1,548,355	1,606,887	163,366	152,324
Investment of cash collateral	-	-	25,687	65,892
Investments held by trustees	145	138	-	-
Accounts receivable, net	533,698	484,802	4,741	9,464
Pledges receivable, net	6,090	6,105	53,077	41,593
Current portion of notes and mortgages receivable, net	6,390	5,832	16	32
Inventories	38,614	33,116	-	-
Other current assets	39,948	36,885	216	16
Total current assets	2,202,344	2,209,207	248,882	270,041
Noncurrent assets				
Investments	-	-	944,864	1,152,048
Investments held by trustees	5,767	5,782	-	-
Pledges receivable	10,344	15,216	120,152	138,222
Notes and mortgages receivable, net	67,929	64,162	486	502
Land, buildings, equipment, libraries and collections, net	4,615,930	4,318,939	27,704	27,759
Other noncurrent assets	15,312	15,694	10,819	8,647
Total noncurrent assets	4,715,282	4,419,793	1,104,025	1,327,178
Total assets	$ 6,917,626	$ 6,629,000	$ 1,352,907	$ 1,597,219
LIABILITIES				
Current Liabilities				
Accounts payable	$ 373,614	$ 292,125	$ 1,189	$ 2,056
Accrued salaries and benefits	189,666	190,290	-	-
Deferred revenue	213,379	198,060	-	-
Current portion of long-term debt	20,305	22,663	25,687	65,892
Funds held for others	-	-	118,524	76,637
Other current liabilities	91,336	128,797	5,226	6,355
Total current liabilities	888,300	831,935	150,626	150,940
Noncurrent Liabilities				
Federal refundable loans	54,399	54,448	-	-
Obligations under life income agreements	-	-	37,415	45,408
Long-term debt	729,239	707,399	-	-
Other noncurrent liabilities	100,466	92,218	-	-
Total noncurrent liabilities	884,104	854,065	37,415	45,408
Total liabilities	$ 1,772,404	$ 1,686,000	$ 188,041	$ 196,348
NET ASSETS				
Invested in capital assets, net of related debt	$ 3,865,710	$ 3,588,917	$ -	$ -
Restricted:				
Nonexpendable:				
Endowments	-	-	482,845	499,459
Annuity and life income funds	-	-	13,805	20,068
Expendable:				
Endowments	-	-	100,475	220,597
Annuity and life income funds	-	-	15,390	17,572
Funds functioning as endowment	-	-	384,596	464,852
Grants and contracts	-	-	-	-
Gifts	173,296	175,252	167,596	164,274
Loans	41,237	37,037	-	-
Capital projects	(82,066)	45,169	-	-
Debt service	16,586	27,518	-	-
Appropriations	2,465	4,266	-	-
Other	65,462	62,899	-	-
Total restricted	216,980	352,141	1,164,707	1,386,822
Unrestricted	1,062,532	1,001,942	159	14,049
Total net assets	$ 5,145,222	$ 4,943,000	$ 1,164,866	$ 1,400,871

**See accompanying Notes to Financial Statements.*

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For Fiscal Year Ended June 30, 2009, with comparative totals for 2008

	CAMPUS*		FOUNDATION	
(dollars in thousands)	2009	2008	2009	2008
OPERATING REVENUES				
Student tuition and fees, net	$ 401,513	$ 345,037	$ -	$ -
Grants and contracts:				
Federal	604,236	601,428	-	-
State	56,011	60,554	-	-
Private	168,475	162,179	-	-
Local	40,127	39,044	-	-
Sales and services:				
Medical centers	1,395,441	1,163,429	-	-
Educational activities	593,295	538,104	-	-
Auxiliary enterprises, net	309,881	310,416	-	-
Private gifts	-	-	97,472	184,652
Other operating revenues, net	51,638	53,400	-	-
Total operating revenues	3,620,617	3,273,591	97,472	184,652
OPERATING EXPENSES				
Salaries and wages	2,243,390	2,105,857	-	-
Benefits	463,603	425,976	-	-
Scholarships and fellowships	68,599	60,623	-	-
Utilities	52,257	54,934	-	-
Supplies and materials	496,647	445,248	-	-
Depreciation	239,280	183,733	-	-
Campus foundation grants	-	-	150,494	139,910
Other operating expenses	726,206	668,887	964	861
Total operating expenses	4,289,982	3,945,258	151,458	140,771
Operating loss	(669,365)	(671,667)	(53,986)	43,881
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	521,823	642,755	-	-
State financing appropriations	29,730	29,543	-	-
Private gifts	184,907	170,303	-	-
Investment income	-	-	(23,028)	69,422
Other	22,107	893	-	-
Increase (Decrease) in fair value of investments	-	-	(206,317)	(74,898)
Interest expense	(1,588)	(34,397)	-	-
Gain (loss) on disposal of capital assets, net	(5,816)	5,826	-	-
Other nonoperating revenues (expenses)	889	(6,432)	2,029	1,247
Net nonoperating revenues (expenses)	752,052	808,491	(227,316)	(4,229)
Income (loss) before other change net assets	82,687	136,824	(281,302)	39,652
OTHER CHANGES IN NET ASSETS				
State capital appropriations	54,535	40,003	-	-
Capital gifts and grants	55,933	99,855	-	-
Permanent endowments	-	-	45,297	61,662
Transfers	9,067	124,782	-	-
Increase in net assets	202,222	401,464	(236,005)	101,314
NET ASSETS				
Net assets, beginning of year	4,943,000	4,541,536	1,400,871	1,299,557
Cumulative effect of a change in accounting principle	-	-	-	-
Net assets, end of year	$ 5,145,222	$ 4,943,000	$ 1,164,866	$ 1,400,871

**See accompanying Notes to Financial Statements.*

TRANSFERS

For Fiscal Year Ended June 30, 2009, with comparative totals for 2008

(dollars in thousands)	CAMPUS* 2009	CAMPUS* 2008
Current (to)/from retirement of indebtedness	$ (113)	$ -
Current:		
Intrafund	(20)	-
Intercampus	306,808	276,566
Interfund	(122,530)	(95,744)
Net revenue of bonds and other indebtedness programs	(105)	21,577
Indirect cost recovery	(295)	352
Net adjustments	-	-
Unexpended plant	99,675	145,584
Retirement of indebtedness	(112,259)	(66,325)
Investment in plant:		
Intrafund transfer assets	(1,572)	(31)
Intrafund transfer depreciation	(128)	35
Renewals and replacements	-	-
Loan	784	928
Indirect cost recovery	(161,178)	(158,160)
Total transfers	$ 9,067	$ 124,782

**See accompanying Notes to Financial Statements.*

STATEMENT OF CASH FLOWS

For Fiscal Year Ended June 30, 2009, with comparative totals for 2008

(dollars in thousands)	CAMPUS* 2009	CAMPUS* 2008	FOUNDATION 2009	FOUNDATION 2008
CASH FLOWS FOR OPERATING ACTIVITIES				
Student tuition and fees, net	$ 401,672	$ 344,253	$ -	$ -
Grants and contracts	890,719	860,393	-	-
Receipts from sales and services of:				
Medical centers	1,354,347	1,157,889	-	-
Educational activities	587,141	526,966	-	-
Auxiliary enterprises, net	303,836	311,743	-	-
Collection of loans from students and employees	10,882	11,223	-	-
Private gifts	-	-	106,617	190,332
Payments to employees	(2,236,377)	(1,998,186)	-	-
Payments to OPEB	(51,679)	(45,789)	-	-
Payments for benefits	(403,626)	(380,694)	-	-
Payments to suppliers and utilities	(1,171,597)	(1,171,569)	-	-
Payments for scholarships and fellowships	(68,599)	(60,623)	-	-
Loans issued to students and employees	(14,599)	(12,322)	-	-
Operating expenses and grants	-	-	(159,149)	(144,517)
Other receipts (payments)	(1,689)	72,192	(2,298)	2,394
Net cash used by operating activities	(399,569)	(384,524)	(54,830)	48,209
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	521,823	642,755	-	-
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	-	-	45,297	61,662
Other private gifts	189,752	175,802	-	-
Other receipts (payments)	(19,445)	4,100	-	-
Net cash provided by noncapital financing activities	692,130	822,657	45,297	61,662
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	-	-	-	-
Payments of principal	-	-	-	-
Interest paid	-	-	-	-
State capital appropriations	46,653	37,531	-	-
State financing appropriations	15,951	15,727	-	-
Capital gifts and grants	49,071	30,157	-	-
Proceeds from debt issuance	23,790	190,682	-	-
Proceeds from the sale of capital assets	-	-	-	-
Purchases of capital assets	(490,460)	(362,543)	-	-
Refinancing/prepayment of outstanding debt	-	(196,164)	-	-
Principal paid on debt and capital leases	(17,048)	(18,886)	-	-
Interest paid on debt and capital leases	(20,936)	(22,903)	-	-
Net cash used by capital and related financing activities	(392,979)	(326,399)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments:				
Short-term investment pool	-	-	-	-
Other investments	-	-	141,601	119,736
Purchase of investments:				
Short-term investment pool	-	-	-	-
Other investments	-	-	(150,135)	(251,274)
Investment income, net of investment expenses	21,968	-	19,126	21,656
Net cash provided by investing activities	21,968	-	10,592	(109,882)
Cumulative effect of change in accounting principles	-	-	-	-
Intercampus transactions	4,513	-	-	-
Transfers	9,067	124,782	-	-
Net (decrease) increase in cash	(64,870)	236,516	1,059	(11)
Cash, beginning of year	1,642,329	1,405,813	720	731
Cash, end of year	$ 1,577,459	$ 1,642,329	$ 1,779	$ 720

**See accompanying Notes to Financial Statements.*

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION/FINANCIAL REPORTING ENTITY

The University of California (the University) was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board (The Regents) are appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's general-purpose financial statements as a component unit. Additionally, the University's financial statements, which include 10 campuses, five medical centers, a statewide agricultural extension program, along with a number of other fiduciary responsibilities, are subjected to an independent annual audit.

The Los Angeles campus of the University of California was founded in 1919 and is financially the largest campus in the 10-campus University of California system. The financial statements included in this annual report present the combined activities of the Los Angeles campus, including the UCLA Medical Center. The accounts of the Los Angeles campus are subject to limited-scope procedures as a part of the annual audit of the financial statements of the entire University of California. The financial statements for the Los Angeles campus have not been individually audited.

The Associated Students of UCLA (ASUCLA) financial data for the fiscal year ended June 30, 2009, have been included in the financial statements in order to reflect total financial activity of the UCLA campus. ASUCLA conducts activities on the UCLA campus pursuant to the Statement of Understanding of ASUCLA's Relationships with the University, dated June 28, 1974.

The UCLA Foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. The financial activities of the separately incorporated foundation are not reflected within the campus' records until such time as gifts are transferred from the foundation to the campus. However, in accordance with the statements of the Governmental Accounting Standards Board (GASB) detailed below, foundation activity is noted on the campus' financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the UCLA campus have been prepared in accordance with generally accepted accounting principles, including all applicable effective statements of the Governmental Accounting Standards Board (GASB) and all statements of the Financial Accounting Standards Board through November 30, 1989, using the economic resources measurement focus and the accrual basis of accounting.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for the University's fiscal year beginning July 1, 2008. This Statement requires the University to determine and record liabilities for pollution and hazardous-materials contamination-remediation obligations. The implementation of GASB Statement No. 49 resulted in accrued operating expenses and liabilities of $2.8 million for the year ended June 30, 2009. There was no significant effect on the financial statements for the year ended June 30, 2008.

The significant accounting policies followed by UCLA are summarized as follows:

Cash. The University considers all balances in demand deposit accounts to be cash. All other highly liquid cash equivalents are considered to be short-term investments.

Short-term investments. UCLA participates in a temporary investment pool that is administered by the Office of the President. Income earned on investments is distributed based on average investments in the pool. This pool invests primarily in U.S. Treasury securities, commercial paper and short-term corporate notes with cost approximating market value. These temporary investments are considered cash equivalents for the purposes of the statement of cash flows.

Intermediate-term investments. UCLA participates in the University's Total Return Investment Pool (TRIP), offered for the first time starting July 31, 2008. The investments are held by the Office of the President for an intermediate term, i.e., a three-year period. Investments authorized by the Regents for TRIP include a diversified portfolio of equity and fixed-income securities. These amounts are recorded at historical cost, which does not approximate the fair value of the investments. Realized gains or losses are recoded upon the sale of UCLA's shares. Dividend and interest income, net of administrative fees, is recorded as it is distributed from the Office of the President.

Investments. Investments for endowment monies and other similar funds are primarily administered centrally by the Office of the President and are not reflected on the UCLA local financial statements. These funds consist of endowments, funds functioning as endowment, and annuity and life income funds. Endowments require that the principal be invested in perpetuity, with the income used in accordance with the terms specified by the donor. Funds functioning as endowment are primarily gifts and related gains that the University treats as endowments, with the exception that any portion of these funds may be expended at the University's discretion. Annuity and life income funds are held in trust by the University with the annuity or income paid periodically to designated beneficiaries; principal of these funds vests with the University, and payments cease upon the death of the beneficiaries.

Monies are invested by the treasurer of The Regents, and the income is transferred to individual campuses annually. A substantial portion of the net assets of the endowment and similar funds participates in a general endowment pool. Each individual fund subscribes to or disposes of units on the basis of the market value per unit at the end of the calendar month within which the transaction takes place. Investments include equities, high-yield equities, bonds and real estate.

Accounts receivable. Accounts receivable include reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments and other receivables. Other receivables include local government and private grants and contracts; pledges; educational activities; and amounts due from students, employees and faculty for services.

Pledges. Unconditional pledges of private gifts to the campus to be received in the future are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Conditional pledges, including pledges of endowments to be received in future periods, and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met.

Notes and mortgages receivable. Loans to students are provided by federal student loan programs and other University sources. Home mortgage loans, primarily to faculty, are provided by the University's Short-Term Investment Pool and other University sources. Mortgage loans provided by the Short-Term Investment Pool are classified as investments, and loans provided by other sources are classified as mortgages receivable in the statement of net assets.

Inventories. Inventories are valued at cost, typically determined using the weighted average method, which is not in excess of net realizable value.

Land, infrastructure, buildings, equipment, libraries and collections. Land, infrastructure, buildings and improvements, equipment, libraries and collections, and special collections are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Capital leases are recorded at the present value of future minimal lease payments. Significant additions, replacements, major repairs and renovations are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. All costs of land, library collections, and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Leasehold improvements are amortized using the straight-line method over the life of the applicable lease or the economic life of the asset, whichever is shorter.

Estimated economic lives are generally as follows:

Infrastructure	25 years
Buildings and improvements	15–33 years
Equipment	2–20 years
Computer software	3–7 years
Library books and materials	15 years

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets — such as land or special collections that are protected, preserved and held for public exhibition, education or research, including art, museum, scientific and rare book collections — are not depreciated.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned during the temporary investment of project-related borrowings.

Deferred revenue. Deferred revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees, and fees for housing and dining services.

Funds held for others. Funds held for others result from the University acting as an agent or fiduciary on behalf of organizations that are not significant or financially accountable to the University.

Federal refundable loans. Certain loans to students are administered by the campus with funding primarily supported by the federal government. The University's statement of net assets includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Net assets. Net assets are classified for accounting and reporting purposes into the following categories:

> ***Invested in capital assets, net of related debt.*** This category includes all of the campus' capital assets, net of accumulated depreciation, reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
>
> ***Restricted.*** The campus classifies net assets resulting from transactions with purpose restrictions as restricted net assets until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.
>
>> ***Nonexpendable.*** Net assets subject to externally imposed restrictions that must be retained in perpetuity by the University are classified as nonexpendable net assets. Such assets include the University's permanent endowment funds. Because the Office of the President administers these funds, UCLA's local financial statements do not reflect balances for nonexpendable assets.
>>
>> ***Expendable.*** Net assets whose use by the campus or campus foundation is subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time are classified as expendable net assets.
>
> ***Unrestricted.*** Net assets that are neither restricted nor invested in capital assets, net of related debt, are classified as unrestricted net assets. Unrestricted net assets may be designated for specific purposes by management or The Regents. Substantially all unrestricted net assets are allocated for academic and research initiatives or programs, or for capital programs.

Revenues and expenses. Operating revenues include receipts from student tuition and fees, grants and contracts for specific operating activities, and sales and services from medical centers, educational activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the UCLA campus and medical centers are presented in the statement of revenues, expenses and changes in net assets as operating activities.

In accordance with GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus are mandated to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income.

Campus foundations are established to financially support the University. Private gifts to campus foundations are recognized as operating revenues on the foundation's statements since, in contrast to the University, such contributions are fundamental to the core mission of the foundations. When the gift is transferred from a foundation to the campus, the campus records the revenue as nonoperating revenue.

Nonoperating revenues and expenses include state educational appropriations (for the support of UCLA operating expenses); state financing appropriations; private gifts for other than capital purposes; investment income, net unrealized appreciation or depreciation in the fair value of investments; interest expense; and gain or loss on the disposal of capital assets.

State capital appropriations and capital gifts and grants are classified as other changes in net assets.

Student tuition and fees. Substantially all of the student tuition and fees provide for current operations of the campus. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers. Certain waivers of student tuition and fees considered to be scholarship allowances are recorded as an offset to revenue.

State appropriations. The State of California provides appropriations to the University, which are allocated to the campuses on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses are incurred to support either educational operations or other specific operating purposes. State appropriations for capital projects are recorded as revenue under other changes in net assets when the related expenditures are incurred. Special state appropriations for AIDS, tobacco and breast cancer research are reported as grant revenue.

Grant and contract revenue. UCLA receives grant and contract revenue from governmental and private sources. The campus recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. The recovery of facilities and administrative costs of federally sponsored programs are at cost reimbursement rates negotiated with the University's federal cognizant agency, the Department of Health and Human Services. For the fiscal year ended June 30, 2009, the facilities and administrative cost recovery totaled $164.3 million, $132.5 million from federally sponsored programs and $31.8 million from other sponsors. For the fiscal year ended June 30, 2008, the facilities and administrative cost recovery totaled $161.1 million, $130.9 million from federally sponsored programs and $30.2 million from other sponsors.

The majority of the recovery of facilities and administrative costs from contract and grant activities are transferred to the Office of the President as part of the closing process and then reallocated at a designated rate to the campus in the next fiscal year. The amount transferred for 2009 was $161.2 million; the amount transferred for 2008 was $158.2 million. Facilities and administrative cost recovery not transferred, but retained by the campus as authorized by the Office of the President, are associated with clinical-trial projects funded by private sponsors ($3.1 million for 2009, $2.8 million for 2008) and UNEX's contract- and grant-sponsored projects ($52,000 for 2009, $80,000 for 2008).

Medical center revenue. Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payers, including Medicare, Medi-Cal and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payers. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlement or as additional information becomes available.

Scholarship allowances. The campus recognizes certain scholarship allowances, which include both financial aid and fee waivers, as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center fees, etc., and the amount that is paid by the student or by third parties on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances in the following amounts are recorded as an offset to revenues for the years ended June 30, 2009 and 2008:

(dollars in thousands)	2009	2008
Student tuition and fees	$ 131,153	$ 117,701
Sales and services of auxiliary enterprises	33,442	32,017
Scholarship allowances	$ 164,595	$ 149,718

Retiree health benefits expense. The University established the University of California Retiree Health Benefit Trust (UCRHBT) to allow certain University locations and affiliates, including UCLA, to share the risks, rewards and costs of providing for retiree health benefits and to accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The Regents serves as Trustee of UCRHBT and has the authority to amend or terminate the Trust.

The UCRHBT provides retiree health benefits to retired employees of the campus. Contributions from the campus to the UCRHBT are effectively made to a cost-sharing single-employer health plan administered by the University. The campus is required to contribute at a rate assessed each year by the UCRHBT. As a result, the campus' required contributions are recognized as an expense in the statement of revenues, expenses and changes in net assets.

UCRP benefits expense. The University of California Retirement Plan (UCRP) provides retirement benefits to retired employees of UCLA. Contributions from the campus to the UCRP are effectively made to a cost-sharing single-employer-defined benefit pension plan administered by the University. The campus is required to contribute at a rate assessed each year by the UCRP. As a result, the campus' required contributions, if any, are recognized as an expense in the statement of revenues, expenses and changes in net assets.

Compensated absences. UCLA accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked.

Endowment spending. Under provisions of California law, the Uniform Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of University programs.

Tax exemption. UCLA and the foundation are qualified as tax-exempt organizations under the provisions of Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

Comparative information. In connection with the preparation of the June 30, 2009, statement of revenues, expenses and changes in net assets, the University concluded that internal departmental recharges associated with utility costs in 2008 should have been credited against utilities expense rather than other operating expenses. As a result, revisions in classification have been made in the UCLA June 30, 2008, financial statements to reduce utilities expense and increase other operating expenses by $46.9 million.

The effect on prior period financial statements was not material. However, management elected to make the revisions to the 2008 presentation to conform to the 2009 presentation. This revision in classification to the 2008 financial statements had no effect on previously reported operating revenues, operating expenses or decrease in net assets; total assets, liabilities and net assets; or net decrease in cash.

New accounting pronouncements. In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the University's fiscal year beginning July 1, 2009. This Statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, also effective for the University's fiscal year beginning July 1, 2009. This Statement requires the University to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferrals in the statement of net assets. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are to be classified as investment derivative instruments. Changes in fair value of those derivative instruments are to be reported as investment revenue.

The University is evaluating the effect that Statements No. 51 and 53 will have on its financial statements.

1. CASH

The University maintains centralized management for substantially all of its cash. Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis. At June 30, 2009 and 2008, the carrying amount of UCLA's equity in the Treasurer's investment, transferred to the Treasurer's Office as part of the University's investment, was $1.55 billion and $1.61 billion, respectively, compared with bank balances of $29.1 million and $35.4 million, respectively. The timing of deposits in transit, varying from year to year, is the primary difference.

2. INVESTMENTS HELD BY TRUSTEES

UCLA has entered into agreements with trustees to maintain trusts for long-term debt requirements. All investments held by trustees are insured, registered or held by the campus' trustee or custodial bank, as fiduciary for the bondholder or as agent for the University.

The trust agreements for long-term debt permit trustees to invest in U.S. and state government or agency obligations, commercial paper or other corporate obligations meeting certain credit rating requirements.

Noncurrent investments held by trustees are for the future payment of principal and interest in accordance with various indenture and other long-term debt requirements. The fair value of these investments was $5.8 million at both June 30, 2009 and 2008. This balance represents the unspent proceeds plus accumulated investment income of State Public Works revenue bonds that are held by trustees.

UCLA's deposits into the trusts, or receipts from the trust, are classified as a capital and related financing activity in the statement of cash flows as it is related to long-term debt requirements. Investment transactions initiated by trustees in conjunction with the management of the trust assets and payments from the trust to third parties are not included in the campus' statement of cash flows.

3. ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for uncollectible amounts at June 30, 2009 and 2008, are as follows:

(dollars in thousands)	STATE & FEDERAL GOVERNMENT	MEDICAL CENTERS	OTHER	TOTAL
At June 30, 2009				
Accounts receivable	$ 98,074	$ 361,644	$ 169,138	$ 628,856
Allowance for uncollectible amounts	(125)	(85,791)	(9,242)	(95,158)
Accounts receivable, net	$ 97,949	$ 275,853	$ 159,896	$ 533,698
At June 30, 2008				
Accounts receivable	$ 97,750	$ 298,178	$ 160,747	$ 556,675
Allowance for uncollectible amounts	(75)	(63,420)	(8,378)	(71,873)
Accounts receivable, net	$ 97,675	$ 234,758	$ 152,369	$ 484,802

(Other accounts receivable are primarily related to private grants and contracts, physicians' professional fees, investment sales, tuition and fees, and auxiliary enterprises.

4. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30, 2009 and 2008 is summarized as follows:

(dollars in thousands)	2009	2008
Total pledges receivable outstanding	$ 17,670	$ 23,345
Less: Unamortized discount to present value	(716)	(1,574)
Allowance for uncollectible pledges	(520)	(450)
Total pledges receivable, net	16,434	21,321
Less: Current portion of pledges receivable	(6,090)	(6,105)
Noncurrent portion of pledges receivable	$ 10,344	$ 15,216

5. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2009 and 2008, along with allowances for uncollectible amounts, are as follows:

(dollars in thousands)	CURRENT	NONCURRENT NOTES	NONCURRENT MORTGAGES	TOTAL
At June 30, 2009				
Notes and mortgages receivable	$ 6,896	$ 55,807	$ 13,677	$ 76,380
Allowance for uncollectible amounts	(506)	(1,435)	(120)	(2,061)
Notes and mortgages receivable, net	$ 6,390	$ 54,372	$ 13,557	$ 74,319
At June 30, 2008				
Notes and mortgages receivable	$ 6,336	$ 55,532	$ 10,204	$ 72,072
Allowance for uncollectible amounts	(504)	(1,454)	(120)	(2,078)
Notes and mortgages receivable, net	$ 5,832	$ 54,078	$ 10,084	$ 69,994

6. LAND, INFRASTRUCTURE, BUILDINGS, EQUIPMENT, LIBRARIES AND COLLECTIONS

The campus' capital asset activity for the years ended June 30, 2009 and 2008, is as follows:

(dollars in thousands)	2007	ADDITIONS	DISPOSALS	2008	ADDITIONS	DISPOSALS	2009
ORIGINAL COST							
Land	$ 82,837	$ 2,658	$ -	$ 85,495	$ 1,800	$ -	$ 87,295
Infrastructure	7,754	225	-	7,979	-	-	7,979
Buildings and improvements	2,989,783	1,516,180	(403)	4,505,560	312,486	(242)	4,817,804
Equipment	863,271	143,726	(80,392)	926,605	148,972	(68,016)	1,007,561
Libraries and collections	507,565	21,968	-	529,533	27,284	(5,586)	551,231
Special collections	64,955	6,191	-	71,146	3,873	-	75,019
Construction in progress	1,830,601	(1,247,319)	-	583,282	47,799	-	631,081
Capital assets, at original cost	$ 6,346,766	$ 443,629	$ (80,795)	$ 6,709,600	$ 542,214	$ (73,844)	$ 7,177,970

	2007	DEPRECIATION & AMORTIZATION	DISPOSALS	2008	DEPRECIATION & AMORTIZATION	DISPOSALS	2009
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$ 5,981	$ 136	$ -	$ 6,117	$ 145	$ -	$ 6,262
Buildings and improvements	1,364,416	99,404	(1,347)	1,462,473	148,867	(210)	1,611,130
Equipment	558,301	75,623	(85,303)	548,621	72,751	(60,501)	560,871
Libraries and collections	364,879	8,571	-	373,450	17,517	(7,190)	383,777
Accumulated depreciation and amortization	$ 2,293,577	$ 183,734	$ (86,650)	$ 2,390,661	$ 239,280	$ (67,901)	$ 2,562,040
Capital assets, net	$ 4,053,189			$ 4,318,939			$ 4,615,930

7. DEBT

The University may finance the construction, renovation and acquisition of certain facilities and equipment through the issuance of debt obligations. Both commercial paper, which provides for interim financing, and pooled revenue bonds are accounted for on a systemwide basis. Long-term financing reported at the campus level includes campus-specific revenue bonds, certificates of participation, mortgages and other borrowings, and capital lease obligations.

UCLA's outstanding debt at June 30, 2009 and 2008, is as follows:

(dollars in thousands)	INTEREST RATES	MATURITY YEARS	2009	2008
LONG-TERM FINANCING				
Hospital Revenue Bonds Series 2004 & 2007, net	* 3.0 – 5.5 %	2010 – 2047	$ 544,433	$ 540,752
Mortgages and other borrowings	1.987 – 5.33 %	2010 – 2020	36,687	15,562
Capital lease obligations - state lease revenue bonds	* 2.7 – 5.0 %	2010 – 2023	136,155	142,805
Capital lease obligations	3.20 – 5.7 %	2010 – 2014	32,269	30,943
Total long-term outstanding debt			$ 749,544	$ 730,062

** bond coupon rates are shown*

Outstanding Debt Activity

Activity with respect to the campus' current and noncurrent debt for the years ended June 30, 2009 and 2008, is as follows:

(dollars in thousands)	REVENUE BONDS	MORTGAGES AND OTHER BORROWINGS	CAPITAL LEASE OBLIGATIONS	TOTAL
Year Ended June 30, 2009				
Current portion at June 30, 2008	$ 2,606	$ -	$ 20,057	$ 22,663
Reclassification from noncurrent	2,060	1,241	17,817	21,118
Refinance or prepay of principal on bank loan	-		-	-
Principal payments and amortizations	(2,333)	(93)	(21,050)	(23,476)
Current portion at June 30, 2009	2,333	1,148	16,824	20,305
Noncurrent portion at June 30, 2008	538,146	15,562	153,691	707,399
New obligations	6,014	21,218	15,726	42,958
Reclassification to current	(2,060)	(1,241)	(17,817)	(21,118)
Noncurrent portion at June 30, 2009	542,100	35,539	151,600	729,239
TOTAL	$ 544,433	$ 36,687	$ 168,424	$ 749,544
Year Ended June 30, 2008				
Current portion at June 30, 2007	$ 5,609	$ -	$ 23,523	$ 29,132
Reclassification from noncurrent	186,920	7,974	20,180	215,074
Refinance or prepay of principal on bank loan	(188,190)	(7,974)	-	(196,164)
Principal payments and amortizations	(1,733)	-	(23,646)	(25,379)
Current portion at June 30, 2008	2,606	-	20,057	22,663
Noncurrent portion at June 30, 2007	537,566	22,912	165,401	725,879
New obligations	187,500	624	8,470	196,594
Reclassification to current	(186,920)	(7,974)	(20,180)	(215,074)
Noncurrent portion at June 30, 2008	538,146	15,562	153,691	707,399
TOTAL	$ 540,752	$ 15,562	$ 173,748	$ 730,062

Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic and research facilities of the University. They have annual principal and semiannual interest payments, and serial and term maturities; they contain sinking fund requirements and may have optional redemption provisions.

Revenue bonds for medical centers and auxiliary enterprises are collateralized by a pledge of the net revenues generated by the enterprises. Revenue bonds for research facilities and certain revenue bonds for administrative and academic facilities are collateralized by a pledge of the University's share of facilities and administrative rate recoveries received on federal research grants and contracts performed by the University. Revenue bonds are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents.

The Multiple Purpose Projects Revenue Bond indentures require the University to achieve net revenues, after expenses and requirements for senior lien indentures, equal to 1.25 times debt service and to maintain certain other financial covenants. The Hospital Revenue Bonds require the University to achieve net revenues of 1.1 times to 1.2 times debt services (depending on the indenture); set limitations on encumbrances, indebtedness, disposition of assets and transfer services; and maintain certain other financial covenants. The Multiple Purpose Projects Revenue Bond and Hospital Revenue Bond indentures require the University to use the facilities in a way that will not cause the interest on the bonds to be included in the gross income of the holders of the bonds for federal tax purposes.

Mortgages and Other Borrowings

Mortgages and other borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities. The mortgages are collateralized by real property.

As part of the University, UCLA may use uncollateralized bank lines of credit with commercial banks to supplement commercial paper to provide interim financing for buildings and equipment. Line-of-credit commitments, with various expiration dates through 2020, totaled $13.3 million at June 30, 2009. Outstanding borrowing under these bank lines totaled $6.2 million and $0.6 million at June 30, 2009 and 2008, respectively, and is included in mortgages and other borrowings.

Capital Leases

Capital leases entered into with other lessors, primarily for the replacement hospital and equipment, totaled $173.7 million in 2008, down from $188.9 million in 2007. The majority of that amount, $136.2 million, is attributed to State Lease Revenue Bonds issued to finance the UCLA replacement hospitals in Santa Monica and Westwood; the bonds mature in 2022.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to June 30, 2009, and thereafter are as follows:

(dollars in thousands) Year Ending June 30	REVENUE BONDS	CERTIFICATES OF PARTICIPATION	MORTGAGES AND OTHER BORROWINGS	CAPITAL LEASES STATE	CAPITAL LEASES OTHER	TOTAL PAYMENTS	PRINCIPAL	INTEREST
2010	$ 27,330	$ -	$ 2,255	$ 13,766	$ 11,047	$ 54,398	$ 20,627	$ 33,771
2011	27,327	-	23,385	13,744	9,037	73,493	40,611	$ 32,882
2012	30,082	-	1,941	13,733	7,369	53,125	21,452	$ 31,673
2013	30,446	-	1,941	13,754	5,169	51,310	20,597	$ 30,713
2014	30,454	-	1,941	13,704	2,379	48,478	18,727	$ 29,751
2015-2019	152,261	-	9,705	68,310	-	230,276	95,896	$ 134,380
2020-2024	150,314	-	816	54,420	-	205,550	97,776	$ 107,774
2025-2029	149,254	-	-	-	-	149,254	58,690	$ 90,564
2030-2034	149,645	-	-	-	-	149,645	73,995	$ 75,650
2035-2039	150,144	-	-	-	-	150,144	92,870	$ 57,274
2040-2044	150,930	-	-	-	-	150,930	116,465	$ 34,465
2045-2049	91,120	-	-	-	-	91,120	83,591	$ 7,529
Total future debt service	1,139,307	-	41,984	191,431	35,001	1,407,723	$ 741,297	$ 666,426
Less interest component of future payments	603,121	-	5,297	55,276	2,732	666,426		
Principal portion of future payments	536,186	-	36,687	136,155	32,269	741,297		
Deferred premium & deferred financing, net - Medical Center	8,247	-	-	-	-	8,247		
Total long-term outstanding debt	$ 544,433	$ -	$ 36,687	$ 136,155	$ 32,269	$ 749,544		

(Future payments in which UCLA participates, but not included above, are the systemwide state capital leases that are held at the Office of the President. The principal portion totals $131.6 million, and interest $60.5 million, through 2030.)

8. SELF-INSURANCE AND OTHER LIABILITIES

Self-Insurance Programs

The University is self-insured for medical malpractice, workers' compensation, employee healthcare and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded on a systemwide basis when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Each campus funds the self-insurance liability through predetermined rates applied to payroll and other expenses. These amounts are reflected as operating expenses in UCLA's statement of revenues, expenses and changes in net assets. UCLA's financial statements do not reflect any liability amounts for self-insurance claims, as these estimated liabilities are recorded on a systemwide basis.

Other Liabilities

UCLA's other liabilities — primarily employee leave and other compensated absences with similar characteristics, accrued interest and other general liabilities such as cash received undistributed — at June 30, 2009 and 2008, are as follows:

	2009		2008	
(dollars in thousands)	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Other liabilities:				
Compensated absences	$ 59,097	$ 98,199	$ 49,357	$ 91,489
Accrued interest	3,944	-	3,960	-
Pollution remediation	773	2,077	-	-
Other	27,522	190	75,480	729
Total	$ 91,336	$ 100,466	$ 128,797	$ 92,218

Other Noncurrent Liabilities

Changes in other noncurrent liabilities for the years ended June 30, 2009 and 2008, are as follows:

(dollars in thousands)	COMPENSATED ABSENCES	OTHER	TOTAL
Year Ended June 30, 2009			
Liabilities at June 30, 2008	$ 91,489	$ 729	$ 92,218
New obligations	56,216	2,819	$ 59,035
Reclassification to current	(49,506)	(1,281)	$ (50,787)
Liabilities at June 30, 2009	$ 98,199	$ 2,267	$ 100,466
Year Ended June 30, 2008			
Liabilities at June 30, 2007	$ 81,861	$ -	$ 81,861
New obligations	51,628	1,496	$ 53,124
Reclassification to current	(42,000)	(767)	$ (42,767)
Liabilities at June 30, 2008	$ 91,489	$ 729	$ 92,218

Payments are generally made from a variety of revenue sources, including state educational appropriations, grants and contracts, auxiliary enterprises and endowment income, or other revenue sources that support the employee's salary.

9. ENDOWMENTS AND FOUNDATION GIFTS

Endowments are administered either by the University or by the campus foundation. The book value and market value for endowments for the years ended June 30, 2009 and 2008, are as follows:

	2009		2008	
(dollars in thousands)	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE
Endowments - regental	$ 486,306	$ 986,355	$ 567,058	$ 1,310,379
Endowments - foundation	873,291	812,077	1,068,379	1,009,954
Total	$ 1,359,597	$ 1,798,432	$ 1,635,437	$ 2,320,333

The Regents' Endowments

The endowments held by The Regents are administered on a systemwide basis, and related investments are not reflected on UCLA's separate financial statements. The portion of investment returns earned on endowments held by The Regents and distributed each year to support current operations is based on a rate (stated in dollars per share) that is approved by The Regents. The total distribution from endowments held by The Regents to UCLA was $37.8 million and $34.6 million for the years ended June 30, 2009 and 2008, respectively.

Campus Foundation

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern The UCLA Foundation, its assets are dedicated for the benefit of UCLA. During the years ended June 30, 2009 and 2008, gifts of $129 million ($52 million from endowment investments and $76.9 million from current funds) and $114.5 million ($39 million from endowment investments and $75.5 million from current funds), respectively, were transferred to UCLA from The UCLA Foundation.

The financial activity of the separately incorporated campus foundation is discretely recorded in the University's financial statements under a separate column titled "Foundation."

10. OPERATING EXPENSES BY FUNCTION

Operating expenses, by functional classification, for the years ended June 30, 2009 and 2008, are as follows:

(dollars in thousands)	2009	2008
Instruction	$ 1,117,861	$ 1,060,106
Research	635,425	618,860
Public service	91,685	77,575
Academic support	321,369	316,832
Student services	70,056	68,462
Institutional support	144,443	133,134
Operations and maintenance of plant	96,821	89,258
Student financial aid	71,197	63,108
Medical centers	1,224,887	1,066,665
Auxiliary enterprises	243,858	239,984
Depreciation	239,280	183,733
Other	33,100	27,541
Total operating expenses	$ 4,289,982	$ 3,945,258

11. RETIREE HEALTH PLANS

The University administers single-employer health plans to provide health and welfare benefits — primarily medical, dental and vision benefits — to eligible retirees of the University of California and its affiliates. The Regents has the authority to establish and amend the benefit plans.

The contribution requirements of the eligible retirees and the participating University locations, such as UCLA, are established and may be amended by the University. Membership in the UCRP is required to become eligible for retiree health benefits. Contributions toward benefits are shared with the retiree. The University determines the employer's contribution. Retirees are required to pay the difference between the employer's contribution and the full cost of the health insurance. Retirees employed by the campus prior to 1990 are eligible for the maximum employer contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least five years of service. Retirees employed by the campus after 1989 and not rehired after that date are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum employer contribution, increasing to 100 percent after 20 years of service.

Participating University locations, such as the campus, are required to contribute at a rate assessed each year by the UCRHBT. The contribution requirements are based on projected pay-as-you-go financing requirements. The assessment rates were $3.09 and $2.86 per $100 of UCRP covered payroll resulting in campus contributions of $51.7 million and $44.6 million for the years ended June 30, 2009 and 2008 respectively.

The actuarial value of UCRHBT assets and the actuarial accrued liability associated with the University's campuses and medical centers using the entry-age normal-cost method as of July 1, 2008, the date of the latest actuarial valuation, were $51.2 million and $13.30 billion, respectively. The net assets held in trust for pension benefits on the UCRHBT's Statement of Plan Fiduciary Net assets were $74.4 million at June 30, 2009. For the years ended June 30, 2009 and 2008, combined contributions from the University's campuses and medical centers were $278.5 million and $268.1 million, respectively, including an implicit subsidy of $44,079 and $43,036, respectively. The University's annual retiree health benefit expense for its campuses and medical centers was $1.5 billion and $1.36 billion for the years ended June 30, 2009 and 2008, respectively. As a result of contributions that were less than the retiree health benefit expense, the University's obligation for retiree health benefits attributable to its campuses and medical centers totaling $2.31 billion at June 30, 2009 increased by $1.22 billion and $1.09 billion for the years ended June 30, 2009 and 2008, respectively.

Information related to plan assets and liabilities as they relate to individual campuses and medical centers is not readily available. Additional information on the retiree health plans can be obtained from the 2008–2009 annual reports of the University of California and the University of California Health and Welfare Program.

12. RETIREMENT PLANS

Substantially all full-time employees of UCLA participate in the University of California Retirement System (UCRS), which is administered by the University. The UCRS consists of The University of California Retirement Plan (UCRP), a single-employer-defined benefit plan, and the University of California Retirement Savings Program (UCRSP), which includes four defined contribution plans with several investment portfolios generally funded with employee non-elective and elective contributions. The Regents has the authority to establish and amend the benefit plans.

The UCRP provides lifetime retirement income, disability protection and survivor benefits to eligible employees. Benefits are based on the average of the highest three years of compensation; age; and years of service, and are subject to limited cost-of-living increases.

Contributions to the UCRP may be made by the campus and by the employees. The rates for contributions as a percentage of payroll are determined annually pursuant to The Regents' funding policy and are based on recommendations of the consulting actuary. The Regents determine the portion of the total contribution to be made by the campus and by the employees. Employee contributions by represented employees are subject to collective bargaining agreements. As a result of the funded status of the UCRP during the years ended June 30, 2009 and 2008, there were no required campus or employee contributions other than for service credit buybacks.

The actuarial value of UCRP assets and the actuarial accrued liability associated with the University's campuses and medical centers using the entry-age normal-cost method as of July 1, 2008, the date of the latest actuarial valuation, were $35.5 billion and $34.3 billion, respectively, resulting in a funded ratio of 103.4 percent. The net assets held in trust for pension benefits attributable to the campuses and medical centers included in the UCRP Statement of Plan's Fiduciary Net assets were $32.32 billion and $42.02 billion at June 30, 2009 and June 30, 2008, respectively.

The University utilizes asset allocation strategies that are intended to optimize the UCRP's investment returns over time in accordance with investment objectives and at acceptable levels of risk. However, the financial markets, both domestically and internationally, deteriorated subsequent to July 1, 2008. As a result, the funded ratio as of the July 1, 2009 actuarial valuation for the campuses and medical centers is approximately 94.8 percent.

For the years ended June 30, 2009 and 2008, the University's campuses and medical centers contributed a combined $442,000 and $2.7 million, respectively. The University's annual UCRP benefits expense for its campuses and medical centers was $69.13 million for the year ended June 30, 2009. As a result of contributions that were less than the UCRP benefits expense, the University's obligation for UCRP benefits attributable to its campuses and medical centers increased by $68.7 million for the year ended June 30, 2009. For the year ended June 30, 2008, contributions from the University's campuses and medical centers were equivalent to the annual UCRP benefits expense. As a result, there was no obligation for UCRP benefits at June 30, 2008.

The UCRSP plans (DC Plan, Supplemental DC Plan, 403(b) Plan and 457(b) Plan) provide savings incentives and additional retirement security for all eligible employees. The DC Plan accepts both pre-tax and after-tax employee contributions. The Supplemental DC Plan accepts employer contributions on behalf of certain qualifying employees. The 403(b) and 457(b) plans accept pre-tax employee contributions, and the campus may also make contributions on behalf of certain members of management. Benefits from the plans are based on participants' mandatory and voluntary contributions, plus earnings, and are immediately vested.

Information related to plan assets and liabilities, as they relate to campus employees, is not readily available. Additional information on the retirement plans can be obtained from the 2008-2009 annual reports of the University of California Retirement Plan, the University of California Retirement Savings Plan and the University of California PERS–VERIP.

13. COMMITMENTS AND CONTINGENCIES

Commitments

Amounts committed but unexpended for construction projects totaled $544.5 million and $354.14 million at June 30, 2009 and 2008, respectively.

UCLA leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2009 and 2008, were $66 million and $52.8 million, respectively. The terms of operating leases extend through February 2022.

Future minimum payments on operating leases with initial or remaining noncancelable terms in excess of one year are as follows:

(dollars in thousands) **Year Ending June 30**	**MINIMUM ANNUAL LEASE PAYMENTS**
2010	$ 31,645
2011	25,822
2012	18,638
2013	12,294
2014	7,162
2015-2019	15,776
2020-2024	43
Total	$ 111,380

Contingencies

Substantial amounts are received and expended by the University, including its medical centers, under federal and state programs and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's or UCLA's separate financial positions.

The University is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, University management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's or UCLA's separate financial positions.

UCLA

University of California, Los Angeles

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The UCLA 2008-09 Annual Financial Report is available only in electronic format.

The 2008-09 and reports from prior years are available at
www.accounting.ucla.edu

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